



Claire McCaskill

Missouri State Auditor

August 2005

Dade County, Missouri

Years Ended
December 31, 2004 and 2003



Office Of
Missouri State Auditor
Claire McCaskill

August 2005

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Dade, that do not have a county auditor. In addition to a financial and compliance audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Dade County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The health center's administration repeatedly ignored warnings and recommendations to improve controls and cut costs. As a result, the health center's financial condition has continued to decline over the past several years. At December 31, 2004, the health center had a negative cash balance of \$33,052, while also having past due payroll taxes payable of \$58,753. Inadequate controls and procedures which contributed to the poor financial condition of the health center include the following: the board did not receive a detailed monthly financial report, various accounting records of the health center were inaccurate, a budget was not prepared for the years ending December 31, 2004, 2003, 2002, and 2001 and expenditures were approved in excess of available monies. Additionally, monthly bank reconciliations were not always prepared.
- The Health Center board did not monitor the compensatory time accrued by its employees and many of the compensatory hours claimed and paid to the former Public Relations Officer appeared questionable. An adequate review of health center employees' timesheets, leave records, and payroll reports was apparently not performed. The health center did not file 941 Employer's Quarterly Federal Tax Return forms and remit taxes due to the IRS in a timely manner, and did not remit employee retirement withholdings in a timely manner. The board approved mileage reimbursements to the former Administrator without obtaining supporting documentation. The general capital asset records were not complete, and the board exchanged health center furniture for office furniture owned by the former Public Relations Officer. The Health Center board needs to improve compliance with the Sunshine Law.
- The board and Director of the 911 Emergency Service Center have not adequately planned for future operations. An adequate formal analysis of anticipated revenues and expenditures had not been performed, and the board had not prepared formal budgets for the years ended December 31, 2004, 2003, or 2002. In addition, bank reconciliations were not performed monthly.

(over)

YELLOW SHEET

- The 911 board prepaid lease payments for services to be received over the next five years, and bids were not solicited or advertised by the board in all applicable circumstances. Also, the 911 Board allowed the Director and Deputy Director the use of ATM/debit cards for a petty cash bank account without adequate review of the expenditures, and adequate documentation was not retained to support some cash withdrawals. An adequate vehicle log was not maintained for the Director's vehicle, and procedures had not been established to ensure any personal mileage was reported to the IRS. Inadequate payroll procedures resulted in untimely remittance of payroll taxes and filing of quarterly payroll tax returns, and incorrect withholding for employee taxes.
- The County and various boards did not prepare budgets for various county funds, which resulted in significant omissions of receipts and disbursements from the county's financial statements. In addition, the county's annual published financial statements did not include the financial activity of the 911 Emergency Services Fund, Health Center Fund, and several other county funds.
- Various problems related to county expenditures, including the lack of bidding documentation and written agreements, and an inadequate review of some expenditures and supporting documentation.
- The county has not established procedures to sufficiently reduce its property tax revenues for sales tax monies received and as a result, \$44,419 of excess property taxes has been collected.

The audit also included recommendations related to county officials' compensation, financial records and budgetary practices, property tax and personnel procedures, collateral securities, and general fixed assets. The audit also suggested improvements in the procedures of the Sheriff, Prosecuting Attorney, County Clerk, Public Administrator, Recorder of Deeds, and the County Assessor.

All reports are available on our website: www.auditor.mo.gov

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Dade County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Dade County, Missouri, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the fifth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Dade County, Missouri, as of December 31, 2004 and 2003, or the changes in its financial position for the years then ended.

As discussed more fully in Note 1, the county's financial statements do not include Statements of Receipts, Disbursements, and Changes in Cash – Budget and Actual for various funds totaling \$752,913 and \$674,143 in receipts and \$721,203 and \$427,697 in disbursements for the years ended December 31, 2004 and 2003, respectively. Statements of Receipts, Disbursements,

and Changes in Cash – Budget and Actual are required by the comprehensive basis of accounting discussed in Note 1.

In our opinion, except for the effects on the financial statements of the omissions discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Dade County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2004 and 2003, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 11, 2005, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole, that were prepared on the basis of accounting discussed in Note 1.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Dade County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

April 11, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Pamela Allison Tillery, CPA
In-Charge Auditor:	Ted Fugitt, CPA
Audit Staff:	Jay Ross
	Troy Royer
	Roberta Bledsoe



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Dade County, Missouri

We have audited the financial statements of various funds of Dade County, Missouri, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 11, 2005. That report expressed a qualified opinion on the financial statements. Except as discussed in that report, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Dade County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the county's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the

normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above, finding number 04-1, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of various funds of Dade County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 04-1.

We also noted certain additional matters which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Dade County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

April 11, 2005 (fieldwork completion date)

Financial Statements

Exhibit A-1

DADE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2004

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 428,113	632,291	489,603	570,801
Special Road and Bridge	240,523	1,122,107	1,086,206	276,424
Assessment	(5,730)	103,167	95,983	1,454
Law Enforcement	67,614	451,764	480,929	38,449
Narcotic Officer	690	36,902	34,395	3,197
Recorder User Fees	14,355	6,528	9,547	11,336
Law Library	1,064	3,660	3,871	853
Circuit Clerk Interest	12,042	257	233	12,066
Law Enforcement Training	2,070	1,513	2,137	1,446
Prosecuting Attorney Bad Check	2,372	4,023	5,834	561
Prosecuting Attorney Training	518	248	0	766
Prosecuting Attorney Delinquent Tax	2,215	0	0	2,215
Domestic Violence	70	261	281	50
Community Development Block				
Grant (CDBG)	91	0	0	91
REAP Grant For Betterment Assistance	262	0	0	262
Tax Maintenance	5,276	5,848	6,236	4,888
Election Services	337	15,090	427	15,000
911 Emergency Services	280,544	356,973	295,294	342,223
Health Center	8,985	368,957	410,994	(33,052)
Total	\$ 1,061,411	3,109,589	2,921,970	1,249,030

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

DADE COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2003

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 319,328	628,414	519,629	428,113
Special Road and Bridge	279,224	654,537	693,238	240,523
Assessment	108	86,483	92,321	(5,730)
Law Enforcement	11,848	517,681	461,915	67,614
Narcotic Officer	0	49,477	48,787	690
Recorder User Fees	15,255	7,031	7,931	14,355
Law Library	1,178	3,312	3,426	1,064
Circuit Clerk Interest	12,253	174	385	12,042
Law Enforcement Training	990	1,576	496	2,070
Prosecuting Attorney Bad Check	5,439	5,146	8,213	2,372
Prosecuting Attorney Training	256	262	0	518
Prosecuting Attorney Delinquent Tax	2,214	1	0	2,215
Domestic Violence	351	211	492	70
Community Development Block				
Grant (CDBG)	91	0	0	91
REAP Grant For Betterment Assistance	262	0	0	262
Tax Maintenance	467	5,520	711	5,276
Election Services	403	0	66	337
911 Emergency Services	22,831	294,946	37,233	280,544
Health Center	22,990	366,481	380,486	8,985
Total	\$ 695,488	2,621,252	2,255,329	1,061,411

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

DADE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 2,236,136	2,356,676	120,540	2,261,831	1,947,109	(314,722)
DISBURSEMENTS	2,292,602	2,200,767	91,835	2,308,423	1,827,632	480,791
RECEIPTS OVER (UNDER) DISBURSEMENTS	(56,466)	155,909	212,375	(46,592)	119,477	166,069
CASH, JANUARY 1	675,419	758,671	83,252	570,569	639,194	68,625
CASH, DECEMBER 31	618,953	914,580	295,627	523,977	758,671	234,694
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	95,000	102,527	7,527	95,000	97,361	2,361
Sales taxes	275,000	287,779	12,779	250,000	291,121	41,121
Intergovernmental	103,609	112,580	8,971	101,370	97,993	(3,377)
Charges for services	98,700	100,053	1,353	103,450	98,486	(4,964)
Interest	8,500	5,846	(2,654)	3,500	8,575	5,075
Other	7,100	11,006	3,906	7,150	7,878	728
Transfers in	27,000	12,500	(14,500)	27,000	27,000	0
Total Receipts	614,909	632,291	17,382	587,470	628,414	40,944
DISBURSEMENTS						
County Commissioner	73,318	72,029	1,289	72,027	71,459	568
County Clerk	49,516	49,108	408	48,266	48,170	96
Elections	33,365	36,926	(3,561)	16,250	11,257	4,993
Buildings and grounds	49,780	47,286	2,494	46,350	39,218	7,132
Employee fringe benefit	42,400	44,653	(2,253)	46,870	38,637	8,233
County Treasurer and Ex-Officio Collecto	57,503	57,309	194	57,603	55,004	2,599
Recorder of Deeds	40,005	37,676	2,329	39,730	37,638	2,092
Associate Circuit (Probate)	29,708	21,074	8,634	20,848	20,172	676
Public Administrator	17,374	16,800	574	15,766	16,969	(1,203)
Insurance	10,500	9,932	568	12,500	8,053	4,447
University extensor	26,500	26,500	0	26,000	26,000	0
Local Emergency Planning Commission (LEPC)	23,534	30,557	(7,023)	17,975	20,216	(2,241)
Other	16,700	14,753	1,947	33,308	25,336	7,972
Transfers out	87,334	25,000	62,334	101,500	101,500	0
Emergency Fund	18,500	0	18,500	16,200	0	16,200
Total Disbursements	576,037	489,603	86,434	571,193	519,629	51,564
RECEIPTS OVER (UNDER) DISBURSEMENTS	38,872	142,688	103,816	16,277	108,785	92,508
CASH, JANUARY 1	384,016	428,113	44,097	295,852	319,328	23,476
CASH, DECEMBER 31	422,888	570,801	147,913	312,129	428,113	115,984

Exhibit B

DADE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	30,100	31,911	1,811	29,300	30,084	784
Intergovernmental	987,000	1,084,413	97,413	996,000	614,906	(381,094)
Interest	9,000	5,783	(3,217)	10,000	9,547	(453)
Other	0	0	0	1,500	0	(1,500)
Total Receipts	1,026,100	1,122,107	96,007	1,036,800	654,537	(382,263)
DISBURSEMENTS						
Salaries	5,700	5,660	40	8,500	5,326	3,174
Employee fringe benefit	436	2,975	(2,539)	650	390	260
Supplies	1,850	1,010	840	1,600	1,850	(250)
Insurance	750	2,208	(1,458)	750	362	388
Road and bridge materials	68,500	45,653	22,847	113,000	45,070	67,930
Equipment purchases	2,000	0	2,000	4,000	0	4,000
Construction, repair, and maintenance	545,000	606,808	(61,808)	546,500	121,644	424,856
Distributions to townships and road district	450,000	408,823	41,177	400,000	491,596	(91,596)
Other	500	569	(69)	1,000	0	1,000
Transfers out	10,500	12,500	(2,000)	27,000	27,000	0
Total Disbursements	1,085,236	1,086,206	(970)	1,103,000	693,238	409,762
RECEIPTS OVER (UNDER) DISBURSEMENTS	(59,136)	35,901	95,037	(66,200)	(38,701)	27,499
CASH, JANUARY 1	201,368	240,523	39,155	234,837	279,224	44,387
CASH, DECEMBER 31	142,232	276,424	134,192	168,637	240,523	71,886
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	73,520	76,313	2,793	75,921	72,811	(3,110)
Charges for services	0	1,480	1,480	0	997	997
Interest	0	374	374	0	0	0
Other	0	0	0	2,500	175	(2,325)
Transfers in	27,345	25,000	(2,345)	12,500	12,500	0
Total Receipts	100,865	103,167	2,302	90,921	86,483	(4,438)
DISBURSEMENTS						
Assessor	95,043	95,983	(940)	90,518	92,321	(1,803)
Total Disbursements	95,043	95,983	(940)	90,518	92,321	(1,803)
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,822	7,184	1,362	403	(5,838)	(6,241)
CASH, JANUARY 1	(5,730)	(5,730)	0	(154)	108	262
CASH, DECEMBER 31	92	1,454	1,362	249	(5,730)	(5,979)

Exhibit B

DADE COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Sales taxes	225,000	255,126	30,126	218,000	226,971	8,971
Intergovernmental	146,930	167,868	20,938	152,500	184,799	32,299
Charges for services	16,500	17,083	583	21,000	16,437	(4,563)
Other	450	11,687	11,237	7,800	474	(7,326)
Transfers in	60,000	0	(60,000)	89,000	89,000	0
Total Receipts	448,880	451,764	2,884	488,300	517,681	29,381
DISBURSEMENTS						
Sheriff	339,734	350,084	(10,350)	324,447	322,384	2,063
Prosecuting Attorney	77,678	76,336	1,342	76,667	71,903	4,764
Juvenile Officer	33,242	17,073	16,169	36,558	25,008	11,550
Coroner	9,240	8,740	500	9,240	9,190	50
Fringe benefits	30,850	28,696	2,154	31,900	33,430	(1,530)
Total Disbursements	490,744	480,929	9,815	478,812	461,915	16,897
RECEIPTS OVER (UNDER) DISBURSEMENTS	(41,864)	(29,165)	12,699	9,488	55,766	46,278
CASH, JANUARY 1	67,614	67,614	0	11,348	11,848	500
CASH, DECEMBER 31	25,750	38,449	12,699	20,836	67,614	46,778
<u>NARCOTIC OFFICER FUND</u>						
RECEIPTS						
Intergovernmental	33,742	36,902	3,160	50,000	49,477	(523)
Total Receipts	33,742	36,902	3,160	50,000	49,477	(523)
DISBURSEMENTS						
Sheriff	33,742	34,395	(653)	50,000	48,787	1,213
Total Disbursements	33,742	34,395	(653)	50,000	48,787	1,213
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	2,507	2,507	0	690	690
CASH, JANUARY 1	690	690	0	0	0	0
CASH, DECEMBER 31	690	3,197	2,507	0	690	690

Exhibit B

DADE COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2004			2003		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER USER FEES FUND</u>						
RECEIPTS						
Charges for service:	8,000	6,528	(1,472)	4,000	7,031	3,031
Total Receipts	8,000	6,528	(1,472)	4,000	7,031	3,031
DISBURSEMENTS						
Recorder of Deeds	6,500	9,547	(3,047)	8,200	7,931	269
Total Disbursements	6,500	9,547	(3,047)	8,200	7,931	269
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500	(3,019)	(4,519)	(4,200)	(900)	3,300
CASH, JANUARY 1	14,355	14,355	0	15,255	15,255	0
CASH, DECEMBER 31	15,855	11,336	(4,519)	11,055	14,355	3,300
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	3,500	3,660	160	4,200	3,312	(888)
Total Receipts	3,500	3,660	160	4,200	3,312	(888)
DISBURSEMENTS						
Law Library	4,000	3,871	129	4,900	3,426	1,474
Total Disbursements	4,000	3,871	129	4,900	3,426	1,474
RECEIPTS OVER (UNDER) DISBURSEMENTS	(500)	(211)	289	(700)	(114)	586
CASH, JANUARY 1	1,064	1,064	0	1,178	1,178	0
CASH, DECEMBER 31	564	853	289	478	1,064	586
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	140	257	117	140	174	34
Total Receipts	140	257	117	140	174	34
DISBURSEMENTS						
Circuit Clerk	1,300	233	1,067	1,800	385	1,415
Total Disbursements	1,300	233	1,067	1,800	385	1,415
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,160)	24	1,184	(1,660)	(211)	1,449
CASH, JANUARY 1	12,042	12,042	0	12,253	12,253	0
CASH, DECEMBER 31	\$ 10,882	12,066	1,184	10,593	12,042	1,449

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

DADE COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Dade County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the 911 Emergency Services Board, or the Health Center Board of Trustees. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Enforcement Training Fund	2004 and 2003
Prosecuting Attorney Bad Check Fund	2004 and 2003
Prosecuting Attorney Training Fund	2004 and 2003
Prosecuting Attorney Delinquent Tax Fund	2004 and 2003
Domestic Violence Fund	2004 and 2003
Community Development Block Grant (CDBG) Fund	2004 and 2003
REAP Grant for Betterment Assistance Fund	2004 and 2003
Tax Maintenance Fund	2004 and 2003
Election Services Fund	2004 and 2003
911 Emergency Services Fund	2004 and 2003
Health Center Fund	2004 and 2003

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Special Road and Bridge Fund	2004
Assessment Fund	2004 and 2003
Narcotic Officer Fund	2004
Recorder User Fees Fund	2004

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Law Library Fund	2004 and 2003
Circuit Clerk Interest Fund	2004 and 2003
Community Development Block Grant (CDBG) Fund	2004 and 2003
REAP Grant for Betterment Assistance Fund	2004 and 2003
Tax Maintenance Fund	2004 and 2003
Election Services Fund	2004 and 2003
911 Election Services Fund	2004 and 2003
Health Center Fund	2004 and 2003

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has not adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The financial statements do not include the cash balances of the Ex Officio County Collector, who collects and distributes property taxes as an agent for various local governments. However, for the purpose of these risk disclosures, the Ex Officio County Collector's cash balances are included since collateral securities to cover amounts not covered by federal depositary insurance are pledged to the county rather than to specific county officials.

The county's deposits at December 31, 2004, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

Of the county's and 911 Emergency Service Board's bank balances at December 31, 2003, \$1,151,360 was covered by federal depository insurance or by collateral securities held by the county's custodial bank in the county's name, and \$260,355 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositories to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

The Health Center Board's deposits at December 31, 2004 and 2003, were entirely covered by federal depository insurance or by collateral securities held by the board's custodial bank in the board's name.

3. Property Taxes

Through December 31, 2004, Dade County collected \$44,419 in excess property taxes. Section 67.505, RSMo 2000, requires the county to reduce property taxes for a percentage of sales taxes collected. Dade County voters enacted a half cent sales tax with a provision to reduce property taxes by 50 percent of sales taxes collected. Tax levies were not reduced sufficiently for actual sales tax collections.

4. Prior Period Adjustments

The General Revenue Fund cash balance at January 1, 2003, as previously stated has been decreased by \$31,382 to exclude agency fund balances that were previously reported in the prior audit.

The REAP Grant for Betterment Assistance Fund's, Tax Maintenance Fund's, Election Services Fund's, and 911 Emergency Services Fund's cash balances of \$262, \$467, \$403, and \$22,831, respectively, at January 1, 2003, were not previously reported but have been added.

The Health Center Fund cash balance at January 1, 2003, as previously stated has been decreased by \$758 to report the actual beginning cash balance.

Supplementary Schedule

Schedule

DADE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2004	2003
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state:				
Department of Social Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-5128 ERS045-4128	\$ 22,522 0 <u>22,522</u>	0 26,011 <u>26,011</u>
10.559	Summer Food Service Program for Children	ERS146-4128I	0	65
10.564	Nutrition Education and Training Program	AOC03380097 AOC04380119 AOC05380102	0 26,606 23,394 <u>50,000</u>	55,861 17,303 0 <u>73,164</u>
	Program total			
U.S. DEPARTMENT OF JUSTICE				
Passed through:				
State Department of Public Safety -				
16.579	Byrne Formula Grant Program	2000DDVX0055	32,987	46,420
Missouri Sheriffs' Association -				
16	Domestic Cannabis Eradication/Suppression Program	N/A	942	652
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state:				
Highway and Transportation Commission -				
20.205	Highway Planning and Construction	BRO-029 (4) BRO-029 (5) COE-029(1) COE-029(2)	0 177,945 1,480 1,800 <u>181,225</u>	281 40,147 0 0 <u>40,428</u>
	Program total			
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration -				
39.011	Help America Vote Act 2002	HAVA2002FED	1,428	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	ERS146-3128L	0	1,100
93.268	Immunization Grants	N/A N/A	1,213 17,207 <u>18,420</u>	450 6,118 <u>6,568</u>
	Program total			

Schedule

DADE COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures Year Ended December 31,	
			2004	2003
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	CCU716971-4A CCU716971-3A	5,000 0	0 5,936
	Program total		<u>5,000</u>	<u>5,936</u>
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	449	354
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Grant	PGA067-5128C PGA067-5128S PGA067-4128S	500 80 125	0 0 125
	Program total		<u>705</u>	<u>125</u>
	Department of Social Services -			
93.778	Medical Assistance Program	N/A	8,920	2,820
	Department of Health and Senior Services			
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Program	CCU721904-3B CCU721904-01 CCU721904-2B	1,137 0 1,284	0 1,864 0
	Program total		<u>2,421</u>	<u>1,864</u>
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-5128M ERS146-4128M AOC05380095 AOC03380196	43,314 0 558 0	0 7,309 0 214
	Program total		<u>43,872</u>	<u>7,523</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
	Passed through state Department of Public Safety			
97.036	Public Assistance Grant:	1412-DR-MO	150,292	33,350
97.042	Emergency Management Performance Grant	N/A	1,831	4,783
97.054	Community Emergency Response Team Grant	EMK-20030GR-3040 EMK-2003-GR-2541	2,047 425	0 2,453
	Program total		<u>2,472</u>	<u>2,453</u>
	Total Expenditures of Federal Awards		<u>\$ 523,486</u>	<u>253,616</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

DADE COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Dade County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided \$18,584 to subrecipients under the Public Assistance Grants (CFDA number 97.036) during the year ended December 31, 2003.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Dade County, Missouri

Compliance

We have audited the compliance of Dade County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2003. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Dade County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2003. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 04-2.

Internal Control Over Compliance

The management of Dade County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 04-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the management of Dade County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Claire McCaskill".

Claire McCaskill
State Auditor

April 11, 2005 (fieldwork completion date)

Schedule

DADE COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2004 AND 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness identified? x yes no
- Reportable condition identified that is not considered to be material weakness? yes x none reported

Noncompliance material to the financial statements noted? x yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes x no
- Reportable condition identified that is not considered to be a material weakness? x yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?

 x yes no

Identification of major programs:

<u>Number</u>	<u>Program Title</u>
20.205	Highway Planning and Construction
97.036	Public Assistance Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

04-1.

Budgets and Financial Statements

The County and various boards did not prepare budgets for various county funds, which resulted in significant omissions of receipts and disbursements from the county's financial statements. In addition, the county's annual published financial statements did not include the financial activity of the 911 Emergency Services Fund, Health Center Fund, and several other county funds.

- A. The county does not have adequate procedures to ensure budgets are prepared for all county funds and as a result, budgets were not prepared for various county funds for the years ending December 31, 2004 and 2003. The lack of budgetary information for these funds, especially the 911 Emergency Services Fund and the Health Center Fund (which are controlled by separate boards), is a significant omission from the county's financial statements. Although the County Clerk indicated he sent budget forms to the Health Center and called the former Administrator regarding its lack of a budget, the Health Center Board indicated it was not aware it needed to prepare a budget. The County Clerk indicated he was not certain budget forms were sent to the 911 Emergency Services Board, and the board also indicated it was unaware it needed to prepare a budget. In addition, the County Clerk indicated he does not prepare budgets for the smaller county funds held by the County Treasurer. Receipts of approximately \$753,000 and \$674,000 and disbursements of approximately \$721,000 and \$428,000 were not budgeted during the years ending December 31, 2004 and 2003, respectively.

Chapter 50, RSMo 2000, requires preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all county funds, the County Commission, county boards, and other county officials would be able to more effectively evaluate all county financial resources.

- B. The county's annual published financial statements did not include the financial activity of the 911 Emergency Services Fund, Health Center Fund, and several other county funds. Receipts of approximately \$751,000 and \$670,000, and disbursements of \$717,000 and \$422,000 were omitted from the 2004 and 2003 annual published

financial statements, respectively. Section 50.800, RSMo 2000, provides that the financial statements are required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

A condition similar to Point A. was noted in the prior report.

WE RECOMMEND the County Commission and other applicable officials:

- A. Ensure budgets are prepared for all county funds as required by state law.
- B. Ensure the financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission provided the following response:

The County Commission has no authority or control over the Health Center and 911 Emergency Service Board funds which represent the majority of funds that were not budgeted or published. Health Center receipts totaled to \$368,957 and \$366,481 and disbursements totaled \$410,994 and \$380,486 during the years ending December 31, 2004 and 2003, respectively. 911 Emergency Service receipts totaled to \$356,973 and \$294,946 and disbursements totaled to \$295,294 and \$37,223 during the years ending December 31, 2004 and 2003, respectively. The remaining funds will be budgeted and published (if information is provided from other county officials) in the future.

The 911 Emergency Service Board of Trustees provided the following responses:

- A. *The board has established a manual system of tracking important dates to assist in preparing all required budget reporting requirements on time and to the proper authorities. The County Commission has been included as a required agency to be provided the budget document.*
- B. *The board will provide the County Commission all financial statements in accordance with their reporting timeline and format.*

The Health Center Board of Trustees provided the following responses:

- A. *Due to inaccurate and/or non-existent bookkeeping records it was impossible to prepare an accurate budget for 2005. Due to new financial accountability by the administrator, as well as the board, the 2006 budget will be prepared accurately and timely.*

- B. *Necessary financial information will be turned in to the courthouse prior to the deadline so it can be published with the county financial statements.*

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

04-2. Schedule of Expenditures of Federal Awards
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Federal Grantor:	U.S. Department of Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Number:	BRO 029(4), BRO 029(5), COE 029(1), and COE 029 (2)
Award Years:	2004 and 2003
Questioned Costs:	Not Applicable

Federal Grantor:	U.S. Department of Homeland Security
Pass-Through Grantor:	Department of Public Safety
Federal CFDA Number:	97.036
Program Title:	Public Assistance Grants
Pass-Through Entity	
Identifying Number:	1412-DR-MO
Award Years:	2004 and 2003
Questioned Costs:	Not Applicable

Section .310(b) of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the year ended December 31, 2003, the county's SEFA understated total expenditures by \$157,661 in part because it did not include expenditures related to some of its federal grants administered by the health center. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and officials.

Without an accurate and timely SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Commission and County Clerk will work with the Health Center Administrator to report this information to the extent of our authority and will ensure expenditures of federal funds are accurately reported in the future.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

DADE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2002, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

DADE COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2002, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

DADE COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Dade County, Missouri, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 11, 2005. That report expressed a qualified opinion on the financial statements. We also have audited the compliance of Dade County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 11, 2005.

In addition, we have audited the operations of elected officials with funds other than those presented in the financial statements to comply with the State Auditor's responsibility under Section 29.230, RSMo 2000, to audit county officials at least once every 4 years. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Dade County or of its

compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance (and other matters, if applicable) and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1.	Health Center Financial Condition
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The health center's administration repeatedly ignored warning signs and recommendations to improve controls and cut costs. As a result, the health center's financial condition has continued to decline over the past several years. The following shows receipts, disbursements, and ending cash balances for the four years ended December 31, 2004:

	2001	2002	2003	2004
Cash balance, January 1,	\$ 16,506	34,790	22,990	8,985
Receipts	322,686	315,326	366,481	368,957
Disbursements	304,402	327,126	380,486	410,994
Cash balance, December 31,	34,790	22,990	8,985	(33,052)

In addition, the health center had liabilities at December 31, 2004 consisting of past due payroll taxes payable of \$58,753 (see MAR No. 3. part F.) and employee retirement payables of \$865. Further, because of bank overdrafts, the health center entered into a \$25,050 tax anticipation note (TAN) on January 6, 2005 to cover the overdrawn checks and to help fund normal operating expenses.

As the above table indicates, the health center's disbursements have increased over the past four years, and have exceeded receipts during the last three years resulting in cash balances continuing to decline. The continued use of TAN proceeds appears necessary to simply allow the health center to operate with sufficient cash flow.

Numerous recommendations regarding the health center's financial condition and its budgetary, accounting, and payroll procedures were made in our prior report for the two years ended December 31, 2000. Similar recommendations were made again in a letter dated September 7, 2004 to the Health Center Board President, as a result of a limited review conducted by our office in response to numerous concerns received from Dade County citizens.

The financial condition of the health center has continued to deteriorate, in part, because past recommendations were not implemented by the board. Numerous internal control weaknesses, lax controls over expenditures including payroll, and inefficient management practices have been identified and discussed in more detail throughout our Management Advisory Report (MAR).

While the health center had receipts in excess of \$700,000 for the two year period ended December 31, 2004, the Board of Trustees failed to ensure an effective system of accounting and administrative controls was in place, including an effective financial reporting system and procedures to monitor budgeted and actual activity. For example, the Board of Trustees failed to prepare a budget for the past four years, and the actual December 31, 2004 cash balance reported on the budget prepared at our request for the year ended December 31, 2005, was understated by in excess of \$50,000. The recommendations contained in MAR No.s 2.-5., if implemented, will help establish the needed controls and procedures.

WE AGAIN RECOMMEND the Board of Trustees take all necessary steps to improve the financial condition of the health center.

AUDITEE'S RESPONSE

The Health Center Board of Trustees indicated steps are being taken to improve the financial condition of the health center.

2. Health Center Accounting Controls

The board did not receive a detailed monthly financial report, and as a result, numerous recording errors and questionable payroll transactions went undetected or un-reviewed. In addition, various accounting records of the health center were inaccurate (including its 2005 budget), and a budget was not prepared for the years ending December 31, 2004, 2003, 2002, and 2001. Expenditures were approved in excess of available monies, monthly bank reconciliations were not always prepared and reconciled to the accounting records, and the method of payment received was not always indicated on the receipt slips issued nor was the composition of the receipt records always reconciled to the composition of amounts deposited. Additionally, the Health Center does not have a written agreement with its current depositary bank.

- A. The board did not receive a detailed monthly financial report, and as a result, numerous recording errors made by the former administrator in the accounting records (see part B. below) and many questionable payroll transactions (See MAR No. 3.) went undetected or un-reviewed. The preparation of monthly financial reports for the board's review helps ensure that all accounting records balance, transactions have been properly recorded, and any errors or discrepancies are detected on a timely basis. In addition, without accurate financial information, the board can not make informed decisions about the health center's operations.
- B. Accounting records of the health center were inaccurate. For example, disbursements recorded on the health center's computerized accounting system were overstated resulting in the cash balance of the health center also being understated by \$94,983 and \$8,919 for the years ending December 31, 2004 and 2003, respectively.

Individual recording errors and reconciling items which contributed to the inaccurate financial information included: numerous payroll tax checks that were later voided (\$92,908), and 11 checks totaling \$8,432 posted to the computerized accounting system on December 31, 2003, which were not actually issued until January 2, 2004.

Two checks dated July 29, 2004 were recorded in the accounting records for \$115.35 and \$257.76; however, the canceled checks had been altered with white out and were actually issued for \$200 and \$58.67, respectively.

Additionally, as a result of the problems with the health center's financial accounting, the Board President attempted bank reconciliations for the health center bank accounts during 2003 and 2004; however, the cash balance reported on these reconciliations was inaccurate, and at December 31, 2003 was overstated by \$32,195.

The lack of reliable accounting records contributed towards the health center overdrawing funds in December 2004 and the need for an emergency loan (see MAR No. 1). To be of maximum assistance to the board and to adequately inform the public, the accounting records of the health center should accurately reflect the financial activity of the health center.

- C. A budget was not prepared for the years ending December 31, 2004, 2003, 2002, and 2001. Although a budget was prepared by the health center for the year ending December 31, 2005, the actual financial activity presented for the years ending December 31, 2004 and 2003 was inaccurate and inconsistent with amounts recorded in the health center's computerized accounting system. For example, the actual financial activity presented for the year ending December 31, 2004 was inaccurate as follows:

1. Actual receipts were understated by \$29,594.
2. Actual disbursements were overstated by \$76,243.
3. Actual cash balance was understated by \$50,133.

To be of maximum assistance to the health center and to adequately inform the public, the budget should accurately reflect the financial activity of the health center. In addition, accurate information is essential to provide reasonable estimates of anticipated receipts and disbursements so that the board may utilize the budget as a management planning tool and as a control over expenditures. Further, Chapter 50, RSMo 2000, requires the preparation of annual budgets to present a complete financial plan for the ensuing year.

- D. The Health Center Board approved expenditures in excess of available monies resulting in a negative ending cash balance of \$(33,052) during the year ending December 31, 2004. The negative cash balance was a result of disbursements being

authorized when no funds were available, or when expected reimbursements were not received prior to year end. To satisfy their obligation, the Health Center Board had to obtain a TAN after the expenses were incurred (see MAR No. 1).

The Health Center board should review cash balances prior to approving expenditures for all funds to prevent this situation from reoccurring.

- E. Incorrect cash balances referred to in B. above resulted, in part, because monthly bank reconciliations were not always prepared and reconciled to the accounting records. Complete and accurate bank reconciliations are necessary to ensure accounting records are in agreement with the bank, and errors or discrepancies are detected and corrected timely.
- F. The method of payment received was not always indicated on the receipt slips issued nor was the composition of the receipt records always reconciled to the composition of amounts deposited. Although most receipts received by the health center are direct deposited, we noted several examples of inconsistencies between the composition of deposits made and the method of payment recorded on the receipt slips or in the computerized accounting system. To properly reconcile receipts to deposits and ensure all monies are being deposited intact, the method of payment received should be recorded on the receipt slips and the composition of receipt records should be reconciled to the composition of amounts deposited.
- G. The health center does not have a written agreement with its current depository bank. A written depository contract helps both the bank and the health center understand and comply with the requirements of any banking arrangement. The contract's provisions should include, but not be limited to, collateral security requirements; any bank fees for check printing, checking account services, and safe deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds.

Conditions similar to Parts C., F., and G. were noted in our prior report.

WE RECOMMEND the Board of Trustees:

- A. Ensure accurate financial reports are prepared and presented to the board in a timely manner.
- B. Ensure accounting records accurately reflect the financial activity of the health center.
- C. Ensure an annual budget is prepared in accordance with state law and that it accurately reflects the past financial activity of the health center.

- D. Refrain from approving expenditures in excess of available monies to ensure all funds are maintained with a positive cash balance.
- E. Prepare complete and accurate bank reconciliations on a monthly basis.
- F. Ensure the method of payment is recorded on the receipt slips and in the computerized system and the composition of receipts is reconciled to the composition of amounts deposited.
- G. Obtain a bank depositary agreement with any bank which holds board monies.

AUDITEE'S RESPONSE

The Health Center Board of Trustees provided the following responses:

- A&B. All financial activity is documented and presented at board meetings. Board meetings are being held every two weeks to allow the board/administrator to stay more aware of the financial situation.*
- C. Due to inaccurate and/or non-existent bookkeeping records it was impossible to prepare an accurate budget for 2005. Due to new financial accountability by the administrator, as well as the board, the 2006 budget will be prepared accurately and timely.*
- D. Accurate bookkeeping and financial controls will help ensure that future expenditures will not exceed the funds available.*
- E. Reconciliations are prepared monthly and presented at the board meeting. There are no discrepancies with the reconciliations.*
- F. Method of payment is documented on receipts and on the Quicken bookkeeping system, and composition of receipts is reconciled to amounts deposited.*
- G. These agreements have been received from the bank.*

3.	Health Center Payroll Transactions and Personnel Policies
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The Health Center board did not monitor the compensatory time accrued by its employees, and many of the compensatory hours claimed and paid appeared questionable and were sometimes recorded incorrectly and inconsistently. In addition, the former Public Relations Officer was allowed to accrue compensatory time in excess of the maximum allowed by the Fair Labor Standards Act (FLSA); an adequate review of health center employees' timesheets, leave records, and payroll reports was apparently not performed, and the health center did not require timesheets to be prepared or records of vacation and sick leave to be maintained for all employees. Timesheets prepared by health center employees were not

always signed by the employee or their supervisor, health insurance benefits in excess of personnel policy requirements were provided for some employees, and wage authorization documentation was not retained to support amounts paid to some employees. Additionally, as of April 6, 2005, the health center owed \$58,753 in overdue taxes to the Internal Revenue Service (IRS). The health center did not file 941 Employer's Quarterly Federal Tax Return forms and remit taxes due to the IRS in a timely manner, and did not remit retirement withholdings from the employees' paychecks or the employer's contribution to the retirement company in a timely manner.

- A. The former Public Relations Officer, (employed from April 2002 through April 2004) was paid, in the two months prior to his departure, a total of \$5,094 for 361 hours of accrued compensatory time at his pay rate of \$14.10 per hour. In addition, this employee used or was paid an additional 252 hours of compensatory time during his time of employment. Many of these compensatory hours appeared questionable and were sometimes recorded incorrectly and inconsistently, and as a result the former Public Relations Officer was apparently overpaid for accrued compensatory time. A spreadsheet of compensatory hours worked, taken, and remaining balances was maintained by the health center and used to compute amounts paid above, and the Public Relations Officer prepared a monthly timesheet which was approved by the former Administrator. An adequate review of the compensatory spreadsheet and timesheets was obviously not performed as hours recorded did not always agree between the two records, and the timesheets contained numerous errors and inconsistencies in the calculation of compensatory time earned (See part B.). For example, the following table shows the differences between these records (per audit) during the period January through May, 2003:

Month	Compensatory time earned per the spreadsheet (hours)	Compensatory time earned per the timesheets* (hours)	Excess compensatory time paid (hours)
January	56.00	0	56.00
February	44.75	0	44.75
March	13.50	13.50	0
April	71.00	62.00	9.00
May	30.00	29.00	1.00
Total	215.25	104.50	110.75

* Since the health center was inconsistent in the basis used for calculating compensatory time, we calculated compensatory time based on hours worked in excess of 80 hours in a pay period (one of the methods used by the health center). Other methods used by the health center to calculate compensatory time did not account for the difference between the timesheets and the spreadsheet noted in this table.

Some of the hours claimed to have been worked appear unreasonable. For example, on April 30, 2003, the employee claimed to have worked 24.5 hours based on his timesheet. Other examples of excessive and unusual hours worked are noted below:

Date	Day of the week	Starting Time	Finishing Time	Total Hours Reported Worked
March 13, 2003	Saturday	9 a.m.	8 p.m.	11
April 5, 2003	Saturday	7 a.m.	4:30 p.m.	9.5
May 23, 2003	Friday	7:30 a.m.	9:00 p.m.	13
July 21, 2003	Monday	2:30 a.m.	4 p.m.	14

The former Public Relations Officer was also allowed to accrue compensatory time in excess of the maximum (240 hours) allowed by the Fair Labor Standards Act (FLSA). Hours in excess of this maximum are to be paid or be taken off by the employee in the next pay period. The compensatory spreadsheet showed this employee had a compensatory time balance of 454 hours at December 15, 2003.

It is unclear why the board allowed this employee, who served in a public relations capacity, to work excessive and unusual hours when the health center's financial condition was deteriorating. Proper controls over the management of compensatory time balances require the health center to evaluate balances for reasonableness, the reasons for large or increasing balances, and provide solutions to prevent excessive balances. Excessive compensatory time represents a large liability for the health center which could require significant cash resources upon payment.

- B. An adequate independent review of health center employees' timesheets, leave records, and payroll reports was apparently not performed which allowed inaccuracies to go undetected. For example, the former Administrator was double paid for half of a month's salary in March 2004 (when the classification for her salary changed). This resulted in an overpayment of \$1,188. (Additional examples are noted in parts A. and C.). In addition, timesheets prepared by health center employees were not always signed by the employee or their supervisor.

The lack of adequate review procedures allows the potential for errors and misstatements which may not be detected. In addition, timesheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time worked each month.

- C. The health center did not require timesheets to be prepared or records of vacation and sick leave to be maintained for some employees. For example, the former Administrator typically did not prepare timesheets or leave records. The current Administrator, responsible for preparing the final termination paycheck, was unable

to provide any documentation to support the \$2,055 for 150 hours of vacation paid to the former administrator. Further, the only timesheet that could be located for the former Administrator for the years ending December 31, 2004 and 2003 indicated 48 hours of vacation were taken in November 2003.

Adequate documentation of vacation and sick leave earned, taken, and accumulated is necessary to ensure employees are properly compensated for accumulated leave and to ensure leave time used is not in excess of time accumulated. Leave records will also aid the health center in determining unused vacation leave upon termination of employment.

- D. The health center provided health insurance benefits in excess of their own personnel policy requirements for some employees. The personnel policy indicated the health center would contribute \$50 a month (\$600 annually) towards the cost of each full time employee's health insurance; however; during the year ending December 31, 2003 the health center contributed \$13,133 for three employees including \$5,019 for the former Administrator and \$5,268 to an employee whose health insurance premiums were reimbursed by a grant. To ensure the equitable treatment of employees, the board should ensure its personnel policy is followed.
- E. The health center did not retain wage authorization documentation to support amounts paid to some employees. For example, the former administrator was paid for acting as the administrator and administering a Bureau of Health Care Needs grant. No documentation was located in the personnel file or minutes to support the authorization of her wages. Documentation of wage authorization is necessary to ensure employees are paid properly.
- F. As of April 6, 2005, the health center owed \$58,753 in overdue taxes to the Internal Revenue Service (IRS) which represented tax liabilities dating as far back as the second quarter of 2002. The amount due does not include any future interest and penalties which may be assessed. A breakdown of the amount due is as follows:

Quarter and year payroll taxes were incurred	Assessed Balance	Interest and Penalties	Total
June 30, 2002	\$ 753	89	842
September 30, 2002	269	31	300
December 31, 2002	7,186	1,384	8,570
March 31, 2003	1,886	164	2,050
June 30, 2003	3,042	30	3,072
September 30, 2003	6,920	68	6,988
December 31, 2003	24,773	0	24,773
March 31, 2004	7,474	117	7,591
June 30, 2004	4,493	74	4,567
Total amount due	56,796	1,957	58,753

According to the current Administrator and a representative of the IRS, the IRS and health center have agreed to a payment plan requiring monthly payments of \$3,000 to repay the current amount due. However, it may be more advantageous for the health center to pay off the entire balance immediately to avoid future penalties and interest.

In addition, 941 Employer's Quarterly Federal Tax Return forms were not filed with the IRS in a timely manner. The former Administrator prepared the 941 forms and checks, and a member of the board and the former Administrator signed the checks, for some past due amounts incurred during the years ending December 31, 2004 and 2003; however, the checks were not mailed. The current Administrator and Board President voided these checks, prepared new 941 tax forms, and reissued checks to the IRS for these past due amounts as noted below:

Quarter and year payroll taxes were incurred	Amount Paid	Month and year payroll tax forms were filed and paid
2nd quarter 2003	\$ 13,351	December 2004
3rd quarter 2003	14,995	December 2004
4th quarter 2003	24,773	*
1st quarter 2004	19,412	October 2004
2nd quarter 2004	17,052	October 2004

* The 941 Employer's Quarterly Federal Tax Return was filed with the IRS on March 21, 2005 and taxes due remain unpaid.

However, some of these payments did not represent full payment of the liability for the quarter for which they were made. See the table of amounts still owed at April 6, 2005 above.

The Internal Revenue Code requires Form 941 to be filed with the IRS on a quarterly basis along with payment of social security and Medicare taxes withheld from the employee and the employer's share, as well as federal income tax withheld. Good business practices require accurate and timely payments of payroll taxes. Failure to make timely payments can result in unnecessary penalties and interest.

- G. Retirement withholdings from the employees' paychecks or the employer's contribution to the retirement company were not remitted in a timely manner. The health center's payroll records indicate \$8,575 and \$8,243 was withheld or contributed to the retirement fund; however, only \$7,043 and \$3,835 was paid to the retirement company during the years ending December 31, 2003 and 2002, respectively. The health center has attempted to repay the retirement company for these underpayments during the year ending December 31, 2004, but \$865 is still due. Employee withholdings and employer contributions should be remitted to the applicable benefit companies in a timely manner.

Conditions similar to Parts A. and C. were noted in the prior report.

WE RECOMMEND the Board of Trustees:

- A. Monitor any future compensatory time hours accrued by employees to ensure they are adequately supported, accurately calculated, in compliance with state law, and reasonable in nature.

- B. Ensure an adequate review of timesheets, leave records, and payroll reports is performed. In addition, ensure all timesheets have been signed by both the employee and the employee's supervisor.
- C. Require all employees to prepare timesheets and maintain accurate records of vacation, sick leave, and compensatory time in a manner that provides for a complete record of the amount of time earned, taken, and any accumulated balances.
- D. Ensure health insurance benefits are provided in accordance with its personnel policy.
- E. Maintain documentation of wage and salary authorization to support amounts paid.
- F. Ensure 941 forms are filed and payroll taxes are remitted on a timely basis for any wages or salaries paid. In addition, the board should attempt to determine the most prudent course of action for repaying past due amounts to the IRS.
- G. Remit retirement benefits to the applicable parties in a timely manner and ensure the proper disposition of past withholdings still due.

AUDITEE'S RESPONSE

The Health Center Board of Trustees provided the following responses:

- A. *There is no longer compensatory time earned.*
- B. *Timesheets are reviewed prior to payment. All employees will sign and date completed timesheets.*
- C. *Currently, employees prepare their own timesheets. Vacation/sick leave is tracked by the payroll system and employees monitor it for accuracy. Compensatory time is no longer earned. Timesheets and leave records of all employees are currently being reviewed by the Administrator.*
- D. *Health Insurance benefits, provided by the health department, are currently in accordance with the personnel manual.*
- E. *Any documentation of wage/salary changes will be documented in the electronic payroll notes and in the board minutes. In addition, supporting documentation will be retained in the appropriate employee's file.*
- F. *941 forms and all taxes are being submitted in a timely manner. The board is working with the IRS using a payment plan and will attempt to make additional payments if/when funding is available.*

- G. *Retirement benefits are paid in a timely manner and issues with past retirement funds have been remedied.*

4. Health Center Expenditures

A listing of all disbursements approved by the board was not prepared to accompany the minutes. The board approved mileage reimbursements to the former Administrator without obtaining supporting documentation, and the sanitarian was paid for time spent traveling to and from his home to the health center since he was hired in July 2004, in violation of the health center's own personnel policy. In addition, a vendor invoice indicated the former Public Relations Officer was earning personal points towards a rewards certificate from health center purchases, and the board approved holiday bonuses for each employee. Also, the general capital asset records were not complete, and the board exchanged health center furniture for office furniture owned by the former Public Relations Officer.

- A. Although the board minutes made a general reference that the board approved the month's bills for payment, a listing of all disbursements approved by the board was not prepared to accompany the minutes. To adequately document the board's review and approval of all disbursements; a complete and detailed listing of bills should be prepared and signed or initialed by the board to denote their approval, and retained with the official minutes.
- B. The board approved mileage reimbursements to the former Administrator during the years ending December 31, 2004 and 2003 totaling \$2,317, although supporting documentation could only be located for \$124 of this amount. To ensure mileage reimbursement requests are reasonable and represent valid expenditures, the board should require reimbursement requests to be prepared and adequately detailed, including the purpose and destination of each trip.
- C. The health center sanitarian was paid for time spent traveling to and from his home to the health center since he was hired in July 2004. He lives approximately an hour from the health center, works two days a week, and is paid \$19 per hour. The health center's personnel manual states that "time spent traveling to the work place to start work, or from the work place after completing work, is not counted as work time". The health center administrator indicated the sanitarian sometimes performs inspections on the way to and from the health center, however, timesheets did not clearly indicate this. To ensure all employees are treated equitably, the board should ensure compliance with its personnel manual in regard to time spent traveling to and from the workplace.
- D. A vendor invoice for a computer purchased with health center funds indicated the former Public Relations Officer was earning personal points towards a rewards certificate. Documentation indicated the former health center bookkeeper made a notation on the invoice that the vendor had indicated a \$75 rewards certificate was

sent to the former Public Relations Officer in March, 2004. The health center should establish procedures with vendors to ensure any rewards certificates are remitted directly to the health center.

- E. On December 20, 2004, the board approved a \$25 holiday bonus for each employee, totaling \$350, and approved purchasing a \$100 gift card for an employee who was retiring. Bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and are contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."
- F. The general capital asset records of the health center do not always include the necessary information for some assets such as acquisition date, cost, and the date and method of disposal. Periodic inventories of capital assets were not performed and capital asset purchases per the expenditure records were not reconciled to additions per the capital asset records. Adequate capital asset records are necessary to safeguard the assets and provide a basis for proper insurance coverage.

In addition, the health center board approved exchanging health center furniture for office furniture owned by the former Public Relations Officer at the time of his resignation. This exchange involved the board trading a glass top table and two secretary chairs for a locking wood cabinet and a wooden bookcase the Public Relations Officer had purchased for his office. The board minutes did not document the value of the items exchanged nor was the value of the items included on the general capital asset records. The bartering of health center assets does not represent a prudent use of health center funds.

A condition similar to Part F. was noted in the prior report.

WE RECOMMEND the Board of Trustees:

- A. Adequately document the approval of disbursements by including a signed listing of all approved disbursements in the board minutes.
- B. Ensure adequate documentation is received and maintained to support all expenditures.
- C. Ensure compliance with the personnel manual in regard to paying employees for drive time to and from the workplace.

- D. Establish procedures with vendors to ensure all rewards certificates are remitted to the health center.
- E. Discontinue the practice of granting additional compensation to employees.
- F. Ensure property records are maintained which include all pertinent information for each asset such as cost, acquisition date, and the date and method of disposal. Also ensure periodic inventories of capital assets are performed and capital asset purchases per the expenditure records are reconciled to additions per the capital asset records. In addition, discontinue the practice of bartering with health center assets purchased with public funds.

AUDITEE'S RESPONSE

The Health Center Board of Trustees provided the following responses:

- A. *A list of all bills reviewed/approved will be included in the meeting minutes.*
- B. *Receipts and/or other documentation is currently provided for all expenditures.*
- C. *Employees currently know and understand that work time begins when they arrive at the office (unless otherwise noted, as in the case of a meeting etc.). No employees currently receive pay for the time they spend getting to work.*
- D. *Former accounts that had rewards certificates are no longer in effect.*
- E. *The board will take this into consideration.*
- F. *Proper and periodic maintenance of capital asset records will be done on assets.*

5.	Health Center Minutes
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The board took a vote of its members by telephone (concerning obtaining a loan) without a quorum physically present for the meeting in violation of state law. Further, the board discussed unallowable topics in closed session.

- A. On January 6, 2005, the current Administrator contacted four of the five health center board members by telephone to approve obtaining a \$25,000 loan to cover two overdrawn checks issued to the Internal Revenue Service (See MAR No. 1). Section 610.015, RSMo Cumulative Supplement 2004, requires that a quorum of the members be physically present at the meeting location before any other members are allowed to participate by telephone.

- B. The board sometimes discussed unallowable topics in closed session. For example, in a closed session meeting on February 23, 2004, the board discussed trading health center furniture for personal furniture of an employee who had submitted his resignation. Section 610.021, RSMo Cumulative Supplement 2004, allows the board to discuss certain subjects in closed meetings including litigation; real estate transactions; bid specifications and sealed bids; personnel matters; and confidential or privileged communications with auditors. The board should restrict the discussion in closed sessions to the specific topics listed in Chapter 610 of the state statutes.

WE RECOMMEND the Board of Trustees ensure full compliance with all provisions of Chapter 610 of the state statutes regarding public votes and meetings.

AUDITEE'S RESPONSE

The Health Center Board of Trustees indicated auditor's recommendations that the Board of Trustees ensure full compliance with all provisions of Chapter 610 of state statutes regarding public votes and meetings is noted and the board will further educate themselves with this chapter.

6. 911 Emergency Service Board Accounting Controls and Procedures
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The board and Director of the 911 Emergency Service Center have not adequately planned for future operations, the board did not prepare or approve a budget for the years ended December 31, 2002, 2003, or 2004, and the 2005 budget prepared at our request was inaccurate and not complete. In addition, bank reconciliations were not performed monthly and the numerical sequence of checks was not accounted for adequately. The board did not maintain minutes of closed meetings, regular board meeting minutes prepared by the Board Secretary were not signed by either the Board Secretary or President, and the board does not have a written agreement with its current depository bank.

In April 2002, the citizens of Dade County passed a three-quarter cent general sales tax for the purpose of establishing a 911 Emergency Service Center. Sales tax revenues began being collected in October 2002, and the 911 Center had received \$668,867 in sales tax revenues as of December 31, 2004. According to Section 190.335, RSMo 2000, the 911 Center has a period of three years to become operational from the date the first taxes are collected; therefore, the 911 Emergency Service Center should be operational by October 2005.

- A. The board and Director of the 911 Emergency Service Center have not adequately planned for future operations. An adequate formal analysis of anticipated revenues and expenditures had not been performed nor had formal budgets been prepared (See part B.) by the board. After numerous requests, the Director provided a projection analysis spreadsheet that he had previously prepared of anticipated revenues and expenditures through the year ending December 31, 2015. The analysis indicated revenues exceeding expenditures each year, however numerous errors were noted in the calculations included on the analysis. After correcting those errors and bringing

them to the Director's attention, the projection analysis indicated that the Center would not be able to operate through 2006 based on the level of expenditures projected. The following table summarizes the Director's analysis of future operations after adjustments were made for calculation errors:

Year Ending December 31,		Beginning Balance	Anticipated Revenues	Projected Expenditures	Ending Balance
2005	\$	342,167	362,784	665,298	39,653
2006		39,653	373,668	561,137	(147,816)
2007		(147,816)	384,878	612,570	(375,508)
2008		(375,508)	396,424	618,398	(597,482)
2009		(597,482)	408,317	794,193	(983,358)
2010		(983,358)	420,566	697,327	(1,260,119)
2011		(1,260,119)	433,183	716,319	(1,543,255)
2012		(1,543,255)	446,179	752,010	(1,849,096)
2013		(1,849,096)	459,564	891,986	(2,281,518)
2014		(2,281,518)	473,351	931,335	(2,739,502)
2015		(2,739,502)	487,551	972,651	(3,224,602)

After we reviewed the analysis with the Director, he indicated the annual projected expenditures actually represented amounts reserved for future spending. However, the analysis also indicated salary expenditures alone would exceed 80 percent of the projected revenues during the year ending December 31, 2006, leaving less than 20 percent for other normal operating expenses or contingencies.

Good business practice requires a reasonable formal analysis of future plans, anticipated revenues, and projected expenditures to be performed and updated to support the board's continued decision making process. In addition, based on the limited planning performed by the board, this analysis, the numerous internal control weaknesses, and lax controls over 911 expenditures discussed in more detail in the following MAR findings, the board needs to ensure an effective system of accounting and administrative controls are in place, including an effective financial reporting system and procedures to monitor budgeted and actual activity, and cut any unnecessary future costs.

- B. The board did not prepare or approve a budget for the years ended December 31, 2002, 2003, or 2004. At our request, a budget for the year ending December 31, 2005 was prepared and approved by the board on March 15, 2005; however, it was not accurate or complete. It did not include a budget message, accurate actual revenues, expenditures, or ending cash balances for the two preceding

budget years, or the beginning and estimated ending available resources. For example, actual expenditures per the budget were overstated by \$9,734 and understated by (\$6,319) for the years ended December 31, 2004 and 2003, respectively.

Section 50.590, RSMo 2000, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool establishing specific cost expectations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and a reasonable estimate of ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding years.

- C. Bank reconciliations were not performed monthly for the four bank accounts maintained by the Center. Bank reconciliations were not prepared from October 2002 (at the time the first account opened) through October 2004 when the Office Manager was hired. The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. Failure to resolve errors and reconciling items timely, increases the risk that other errors or misstatements will not be detected on a timely basis.
- D. The 911 Emergency Services Board Treasurer does not account for the numerical sequence of checks. We noted four checks during the years ending December 31, 2004 and 2003 that could not be accounted for in any of the accounting records. Further, there were two additional checks which had been recorded in a manual check register but had not been entered into the computerized accounting system from which bank reconciliations are performed. The Director indicated these two checks represented outstanding checks. To ensure all checks are accounted for properly, the numerical sequence of all checks should be accounted for and all checks should be entered into the computer system in a timely manner.
- E. The 911 Board did not maintain minutes of closed meetings even after state law was enacted in 2004 requiring this. In addition, regular board meeting minutes are prepared by the Board Secretary; however, the minutes were not signed by either the Board Secretary or President. Section 610.020, RSMo Cumulative Supplement 2004, requires minutes to be taken and retained of closed meetings. In addition, the prepared minutes should be signed by the Board Secretary and the President immediately upon approval by the board to provide an attestation that the minutes are a correct record of the matters discussed and actions taken during the board meeting.
- F. The 911 Emergency Services Board does not have a written agreement with its current depository bank. A written depository contract helps both the bank and the

board understand and comply with the requirements of any banking arrangement. The contract's provisions should include, but not be limited to, collateral security requirements; any bank fees for check printing, checking account services, and safe deposit boxes; interest charges on any borrowed funds; and interest rates for invested funds.

WE RECOMMEND the 911 Emergency Service Board of Trustees:

- A. Prepare an accurate projection analysis of anticipated revenues and projected expenditures and closely monitor the Center's operations.
- B. Ensure complete and accurate budgets are prepared and filed with the State Auditor's Office. In addition, report actual revenues and expenditures of the two previous years on the budgets and include a budget message, as required by state law.
- C. Prepare and vouch monthly bank reconciliations in a timely manner.
- D. Account for the numerical sequence of checks issued and ensure all checks are entered into the system in a timely manner, including voided checks.
- E. Ensure closed meetings are conducted according to state law and the final disposition of applicable matters discussed in closed session are recorded in the regular public meeting minutes, and that the board minutes are properly signed to attest to their accuracy.
- F. Obtain a bank depository agreement with any bank which holds board monies.

AUDITEE'S RESPONSE

The 911 Emergency Service Board of Trustees provided the following responses:

- A. *Based on audit recommendations, a revised projection of revenues and expenditures was prepared and presented to the board and approved. A review of the budget by the board will be done quarterly to ensure we are meeting expectations.*
- B. *We have created a manual system of tracking important dates to ensure timely and accurate reporting of the budget as required. Proper formatting according to state statutes to include two previous years and a budget message will be followed.*
- C. *Electronic checkbook is now always kept current using QuickBooks software and reconciled monthly.*
- D. *All checks are now done electronically using QuickBooks software to ensure proper tracking and voided check documentation procedure is in place.*

- E. *Minutes of public and closed meetings are now documented. Board Secretary and Chairman sign and attest to all approved minutes. All board members have copies of the Sunshine Law.*
- F. *We will obtain a copy of the county's depository agreement to use as a template to create our depository agreement with Liberty Bank.*

7. 911 Emergency Service Board Expenditures
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The 911 Board prepaid lease payments for services to be received at a later date in apparent violation of the Missouri Constitution and bids were not solicited or advertised by the board in all applicable circumstances. In addition, the board does not adequately document approval of invoices for payment, invoices are not always canceled upon payment, the Board Treasurer pre-signed a check, dual signatures are not required on checks, and no procedures are in place to ensure that Forms 1099 are filed when required. Also, the 911 Board allowed the use of ATM/debit cards for a petty cash bank account without adequate review of the expenditures and adequate documentation was not always retained to support these expenditures. Further, some expenditures did not appear to represent a prudent and necessary use of 911 Emergency Service funds and an employee received a payroll advance which appears to violate state law. Additionally, an adequate vehicle log was not maintained and inadequate payroll procedures resulted in untimely remittance of payroll taxes, untimely filing of quarterly payroll tax returns, and incorrect withholding for employee taxes. General fixed asset records were not complete.

- A. The board entered into a 99 year lease with the Dade County Nursing Home on March 30, 2004 which required the board to advance the Nursing Home \$48,000 for lease payments for the first five years of the lease upon signing of the lease agreement. The purpose of the lease is to provide a portion of the Nursing Home premises for the housing of 911 Emergency Services operations. In addition, the board did not have its own legal counsel review this lease prior to signing the lease agreement. Article VI, Section 23 of the Missouri Constitution specifically prohibits counties, cities, or other political subdivisions of the state from granting public money to any corporation, association, or individual. It is not prudent for the board to prepay a lease for services received at a later date. Doing so could result in paying for services not received.
- B. Bids were not always solicited or advertised by the board nor was bid documentation always retained for various purchases. For example, a used vehicle was purchased from a local vendor (where a board member works) for \$8,590 and office furniture and supplies totaling \$6,495 were purchased from another vendor for which bids were not solicited. Further, there was no advertisement for bids for the following purchases: radios (\$55,378); software (\$14,898); and computer equipment (\$10,784).

Section 50.660, RSMo 2000, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for the economical management of board resources and help assure the board that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all interested parties are given an equal opportunity to participate in board business. To show full compliance with state law, documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice when applicable, a copy of all bids received, a summary of the basis and justification for awarding the bid, documentation of all discussions with vendors, and bid specifications designed to encourage competitive bidding. If bids cannot be obtained and sole source procurement is necessary, the official board minutes should reflect the necessitating circumstances.

- C. Although the board minutes make a general reference that invoices are approved for payment and invoices are available for the board to review, a listing of all disbursements approved by the board is not prepared to accompany the minutes. In addition, invoices are not always noted as paid or otherwise canceled upon payment.

To adequately document the board's review and approval of disbursements; a complete and detailed listing of bills should be prepared and signed or initialed by the board to denote their approval, and retained with the official minutes. In addition, the possibility that an invoice will be paid twice is increased when invoices are not properly canceled.

- D. In July 2003, the Board Treasurer pre-signed a check which the Director used to purchase a laptop computer for \$2,095. Further, only one signature was required on the check. Signing checks in advance does not allow for proper review of the documentation to support the disbursement.

To adequately safeguard assets, checks should not be signed until all pertinent information is completed and supporting documentation for the disbursement is reviewed and approved by the board. In addition, requiring two signatures on all checks would also provide additional controls over the use of the funds.

- E. The 911 Board has no procedures in place to ensure that Forms 1099 are always filed with the Internal Revenue Service (IRS) when required. As a result, the board did not file Form 1099 for computer services provided by a vendor in the amount of \$950.

Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

F. The 911 Board maintains a petty cash bank account for the Director and Deputy Director to use debit/ATM cards for various purchases and expenses. This bank account is funded by transfers from other 911 bank accounts. The petty cash bank account is not maintained on an imprest basis and although the balance of the account generally did not exceed \$1,000 throughout the audit period, the account was replenished to a balance of approximately \$2,000 in December of 2004. Debit card purchases and ATM withdrawals from the account totaled to \$8,815 and \$1,461 during the years ending December 31, 2004 and 2003, respectively. The following concerns were noted:

1. Purchases made from this account are not reviewed by the board. In addition, several expenditures from this account appear to be normal operating expenses that could be handled through the board's normal expenditure process.

The board should adopt formal policies and procedures regarding the use of the petty cash account. The purpose of a petty cash fund is to provide funds for small emergency purchases or small purchases which are impractical to purchase through the normal expenditure process. The petty cash account should be kept on an imprest basis and expenditures should be reviewed by the board to ensure all disbursements represent valid operating costs of the Center's operations.

2. The Director and Deputy Director made cash withdrawals totaling \$1,164 during the years ending December 31, 2004 and 2003, of which only \$789 was supported by receipts or other documentation.

All expenditures should be supported by vendor invoices to ensure the obligation was actually incurred and the expenditure represents an appropriate use of funds.

3. The Director purchased personal airline tickets totaling \$418 using his debit card on September 23, 2003. The Director subsequently reimbursed the petty cash account for the cost on October 14, 2003, and indicated he had erroneously used the 911 Emergency Service debit card instead of his personal card. In addition, other purchases made with the debit cards and cash withdrawals did not appear to be a prudent use of taxpayer monies. These purchases included \$125 for pizzas for board members, employees, and the tower erection crew to celebrate completion of the 911 radio tower; lunches with sales persons; and refreshments for political forums. (For other imprudent expenditures of 911 funds see part G.)

The purchase of the airline ticket appears to violate Article VI, Section 23 of the Missouri Constitution which prohibits any political subdivision of the state from granting or lending money to an individual. In addition, the board

should ensure funds are spent only on items which are a necessary use of public funds.

G. Some other 911 Emergency Service expenditures from the general checking account did not appear to be a necessary or prudent use of public funds. Examples include:

1. The Board Treasurer purchased \$49 of alcohol while attending training.
2. The Director authorized the rental of seven popular entertainment movies including such titles as *Remember the Titans* and *Philadelphia* to be watched by 10 employees of the 911 Emergency Service Center. The Director indicated the movies were used as training; however, the benefit received from watching any of these movies for new employee training appears questionable. Although the cost to rent the movies was minimal, the board expended over \$1,200 in payroll expenditures for the employees to spend approximately 14 hours each watching these movies.

The county's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The board should ensure funds are spent only on items which are necessary and beneficial to county residents.

H. 911 Emergency Service employees are paid twice a month with checks being issued at the 15th and last day of each month. During our review of payroll we noted an instance where the Director received a payroll check early. While it did not appear that the Director was paid more than his bi-monthly salary, the payroll check was issued on August 19, 2003 approximately two weeks in advance of the pay period.

This payment appears to violate Article VI, Section 23 of the Missouri Constitution which prohibits any political subdivision of the state from granting or lending money to an individual. In addition, it is not prudent for a board to compensate employees in advance. Doing so could result in the board paying an individual for services not performed.

I. The 911 Emergency Services Board owns and maintains a vehicle which is driven home each night by the Director. This vehicle's mileage was approximately 85,000 when purchased on May 31, 2003, and it had approximately 142,000 miles at the end of February 2005. A vehicle log was maintained for the years ended December 31, 2004 and 2003; however, it was not adequately detailed to determine the number of personal miles versus the number of business miles driven. Complete and detailed mileage logs are necessary to monitor mileage and evaluate the usage of the vehicles. In addition, the IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Furthermore, IRS guidelines require the full value of the provided vehicle to be reported if the employer does not require the submission of detailed logs that distinguish between business and personal usage. Procedures have not been established by the board to ensure personal mileage is

reported to the IRS. As a result, the board may be subject to penalties and/or fines for failure to report all taxable benefits.

- J. As of July 27, 2004, the 911 Board owed \$9,571 in overdue taxes to the Internal Revenue Service (IRS) which represented tax liabilities dating as far back as the second quarter of 2003; additionally, the 941 forms, Employer's Quarterly Federal Tax Return, for all but one of these past due quarters were not filed with the IRS until July 27, 2004. State income taxes were also not remitted timely for the time period from June 2003 through mid July 2004.

In addition, from June 2003 through mid July 2004, the Director was paid \$1,000 per pay period, which appears to be an estimate of his salary net of applicable taxes. However, when the delinquent 941 forms were prepared, it was determined that the Director's net pay each pay period should have exceeded \$1,000 and therefore payments totaling \$2,012 were made to him for the previous underpayments. Also, a \$470 payment was made to the Director on January 13, 2004 which he indicated was for underpayment of his 2003 salary, however, there was no documentation to support the amount paid.

The above problems appear to have been the result of inadequate supervisory review over payroll.

The Internal Revenue Code requires Form 941 to be filed with the IRS on a quarterly basis along with payment of Social Security and Medicare taxes withheld from the employee and the employer's share, as well as federal income tax withheld. Good business practices require accurate and timely payments of payroll taxes. Failure to make timely payments can result in unnecessary penalties and interest. In addition, Section 143.191, RSMo 2000, requires employers to withhold state income taxes from wages and establishes requirements for reporting wages. The lack of adequate review procedures over payroll allows the potential for errors and misstatements which may not be detected.

- K. General fixed asset records are not complete and maintained in a manner listing the dates purchased and the cost of the property. In addition, periodic inventories are not conducted and property tags are not affixed to some assets. Adequate general fixed asset records are necessary to secure better internal control over 911 Emergency Service Center property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on property. In addition, periodic inventories should be conducted and property control tags should be affixed to all fixed asset items to help improve accountability over these items and help ensure that assets are not lost or stolen.

WE RECOMMEND the 911 Emergency Service Board of Trustees:

- A. Discontinue the practice of prepaying for services.

- B. Solicit bids in accordance with state law and maintain documentation of bids.
- C. Ensure the approval of disbursements is adequately documented by including a listing of all disbursements approved in the board minutes and ensure the listing is signed or initialed by the board to denote their approval. In addition, ensure all invoices are canceled when goods or services have been paid to prevent reuse or repayment of the invoice.
- D. Discontinue the practice of pre-signing blank checks, and require two signatures on all checks.
- E. Ensure IRS Forms 1099 are prepared and submitted as required by the Internal Revenue Code.
- F. Adopt formal policies and procedures regarding the use of the petty cash account. Ensure that supporting documentation is retained for all expenditures from the petty cash bank account and the account is kept on an imprest basis. Further ensure these expenditures are reviewed by the board and are a prudent use of taxpayer monies.
- G. Ensure all expenditures are a necessary and prudent use of public funds and are consistent with the mission of the 911 Center.
- H. Discontinue the practice of making payroll advances to employees.
- I. Require a mileage log be maintained that reflects business and personal miles driven and review this log periodically for reasonableness. In addition, the Board should comply with IRS guidelines for the reporting of fringe benefits relating to personal vehicle use.
- J. Implement payroll procedures to ensure that all payroll taxes are withheld correctly and ensure a supervisory review is completed and documented. Ensure 941 forms are filed and payroll taxes are remitted on a timely basis for any wages or salaries paid.
- K. Establish complete records to account for general fixed assets, conduct periodic inventories, and identify all fixed assets with a number, tag, or similar identifying device.

AUDITEE'S RESPONSE

The 911 Emergency Service Board of Trustees provided the following responses:

- A. *The Board will no longer approve prepaying of services not performed.*
- B. *We will advertise all requests for bids over \$4,500. We do have on file and in storage a list of all vendors sent request proposals, copies of all bids returned, copies of the request for*

proposals, summary of basis and justification for awarding the bid, and documentation of all discussions and bid specifications for the purchase of the radios, software, and computer equipment; however, we did not advertise for bids.

- C. Financial summaries are signed by the Chairman after approval by board members. The electronic checks we currently use have a duplicate to show proof of payment, and we staple this duplicate to the invoice to show payment has been sent.*
- D. Pre-signing checks was discontinued in 2003, and two signatures are required on all checks as of April 4, 2005.*
- E. One IRS Form 1099 was not filed. The vendor was been contacted to resolve this issue. Any new bids from vendors will require verification of their 1099 status.*
- F. A formal policy and procedure will be established regarding use of the expense account. All receipts will be turned in to the Office Manager for comparison to expenditures, an imprest level will be set and maintained, and all expenditures will be reviewed by the board.*
- G.1. The Board Treasurer repaid the \$49.00.*
 - 2. The board will be presented and approve all expenditures to ensure prudent use of public funds.*
- H. The employee handbook (dated January 24, 2005) expressly states the DCES does not provide payroll advances.*
- I. A more detailed mileage log was created and showed to the audit team and implemented immediately. All logs are reviewed and filed. IRS guidelines are being reviewed concerning personal mileage versus business mileage.*
- J. All payroll requests are submitted in writing to the Deputy Director or Director for approval. Procedures including QuickBooks Alerts and Manual Suspense File Tracking are in place to ensure all taxes are withheld and paid properly.*
- K. This was rectified within two days of audit team on site review. All documentation is recorded, tracking labels are applied, and disposition of any equipment is documented.*

8. County Expenditures

The county has not entered into a formal written contract with the Local Emergency Planning Commission (LEPC) Officer defining the services to be rendered and compensation to be paid, and some of his allowances and expense reimbursements appear questionable. Also, the county issued a check for the purchase of two used Sheriff's office vehicles for \$1,500 more than the prices noted on the vehicles' bills of sale. In addition, the county did not

always solicit bids or retain bid documentation for various purchases, did not retain adequate supporting documentation for some expenditures, enter into formal written agreements, reconcile mileage and fuel usage logs to fuel purchases, or prepare an annual maintenance plan for the county bridges.

- A. The county paid an individual \$20,453 and \$22,552 during the years ending December 31, 2004 and 2003, respectively, for the following services and expenses according to expenditure reports maintained by the county:

Type of service	Year ending December 31	
	2004	2003
Acting as LEPC Officer (paid \$500 per month)	\$ 6,000	6,000
Preparing hazard mitigation plan (one time payment)	N/A	4,500
Administering Public Assistance Grant funds for the townships (one time payment)	N/A	5,925
Preparing county operations manual (one time payment)	6,000	N/A
Office supply and equipment allowance (paid \$100 per month)	1,200	1,200
Office supplies and equipment expenses (reimbursed monthly)*	7,253	4,927
Total	20,453	22,552

*The following office supplies and equipment expenses were reimbursed by the county: mileage (including mileage to and from the LEPC officer's home and the courthouse), one-half of his home telephone bill, cellular telephone bill, home internet service bill, office supplies, postage, professional dues, and meal expenses.

The following concerns were noted regarding these payments:

1. The county has not entered into a formal written contract with the LEPC Officer defining the services to be rendered and compensation to be paid. Written contracts are necessary to document the rights and responsibilities of all parties involved and to prevent misunderstandings. In addition, section 432.070, RSMo. 2000, requires contracts for political subdivisions to be in writing.
2. It appears questionable why the county would reimburse the LEPC Officer for actual expenses incurred for office supplies and equipment **and** also provide him a monthly allowance for similar items. The County Commission should review allowances provided to the LEPC Officer and expense reimbursements to determine the necessity of the allowance and expenses reimbursed.

3. The LEPC Officer's cellular telephone bill included several personal calls. Although the minutes used did not exceed those allowed in the calling plan, consideration should be given to the necessity of this expense and amount being reimbursed.

- B. The county prepared and signed a check to a used car dealership on February 10, 2004 for \$27,999 for two sheriff's office vehicles based on price quotes (dealership flyers) provided by the former Sheriff. The Sheriff delivered the check to the dealership, purchased the vehicles, and then submitted the bills of sale to the County Commission. The County Commission apparently did not review the bills of sale because the bills for the two vehicles totaled to only \$26,499. Neither the former Sheriff nor the car dealership could explain the difference in amounts recorded on the check and the bills of sale.

The county's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The County Commission should review the information and take appropriate action. In addition, when circumstances arise where a check is issued prior to receiving supporting documentation of county purchases, the County Commission should perform a follow up review of the transaction to ensure county funds are expended as intended.

- C. The county did not always solicit bids, or bid documentation was not always retained for various purchases. Examples of items purchased for which bid documentation could not be located are as follows:

Item or Service	Cost
Two used patrol vehicles	\$ 27,999
Backhoe services (total paid for two years)	21,513
Gravel (total paid in 2004)	12,690

The County Commission and County Clerk indicated that bids were solicited for some of these purchases through telephone calls or some items were only available from one vendor in the area; however, documentation of these calls and sole source procurement situations were not maintained.

Section 50.660, RSMo 2000, requires bids for all purchases of \$4,500 or more from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidders. Competitive bidding ensures all parties are given equal opportunity to participate in county business.

- D. Adequate supporting documentation was not available for 6 of 53 expenditures reviewed. Although the county commission reviewed a summary bill of monthly expenditures for some of these purchases, including equipment for the emergency services van (\$2,960), two purchases of fuel for the Sheriff's office (\$1,726) and (\$768), hotel accommodations for the County Commission (\$420), and hotel accommodations for the Narcotics Officer (\$335), detailed invoices of each purchase were not always retained and compared to the summary bill. In addition, an invoice or receipt for hotel accommodations for the Prosecuting Attorney and Narcotics officer (\$1,523) was either not obtained or retained by the county. All expenditures should be supported by a vendor invoice to ensure the obligation was actually incurred and the expenditure represents an appropriate use of public funds.
- E. The Prosecuting Attorney does not have an office in the courthouse. She performs her county duties from an office building used in the operation of her private law practice. The county does not have a written agreement with the Prosecuting Attorney outlining the portion of her expenses to be paid by the county. Currently, the county pays for her phone services (\$930), secretary's salary (\$11,564), and investigator's salary (\$17,211). There is no documentation supporting how these disbursements are entirely related to county business.

Since county resources should be used only for county business, the county should enter into a written agreement with the Prosecuting Attorney outlining what expenses will be provided by the county and what will be provided by the private practice. The basis for the arrangements should be documented and retained. To ensure the Prosecuting Attorney is not personally benefiting from this arrangement, it is important to document the adequacy of the financial arrangement and the basis for the allocation of resources between county and private use. There needs to be a clear distinction made between county and private practice resources and work efforts to avoid the appearance of impropriety and alleviate questions regarding possible inappropriate use of public resources.

- F. The county does not always enter into formal written agreements. For example, the county did not enter into a written agreement with the Greenfield Fire Department for use of its emergency management van. The county paid \$628 to paint the van and also provided insurance coverage on the van.

Written contracts are necessary to document the duties and responsibilities of all parties and to prevent misunderstandings. In addition, Section 432.070, RSMo 2000, prohibits a county from making a contract unless it is in writing.

- G. The county distributed over \$800,000 in county aid road trust (CART) monies to townships and special road districts within the county, and is required by state law to perform various oversight duties for each township. Our review of CART monies and these duties revealed the following:

1. The County Commission has obtained contracts with the political subdivisions which require the CART monies to be used for the construction and repair of roads; however, the contracts are not signed by the County Commission. In addition, while the County Commission indicated it reviews the financial statement reports submitted by each township, this review is not documented.

Section 432.070, RSMo 2000, states all contracts entered into by the county shall be in writing and signed by each of the parties or their agents. In addition, to ensure CART monies are used only for road-related purposes, the County Commission should document their review of the financial statement reports submitted.

2. Although the County Clerk requires township collectors to file copies of their bond with him, the County Commission does not review the bonds for adequacy nor does the County Clerk file the bonds with the State Tax Commission (STC).

Section 65.460, RSMo 2000, requires the County Commission to annually examine the collector's bonds as to form and sufficiency, and also requires the County Clerk to send a copy of the collector's bond to the STC.

- H. Mileage and fuel usage logs are not reconciled to fuel purchases. Fuel for the Sheriff Office vehicles is purchased from a local service station and billed monthly to the county. Established procedures require employees to complete mileage and fuel usage logs for each vehicle indicating how much fuel was pumped. The Sheriff's Office spent approximately \$12,000 and \$11,000 for fuel during the years ending December 31, 2004 and 2003, respectively. Given other concerns over fuel noted in part D., the county should reconcile mileage and fuel usage logs to fuel purchased to ensure the reasonableness of fuel expenditures. Failure to account for fuel purchases could result in loss, theft, and misuse.
- I. An annual maintenance plan for the county bridges has not been prepared. A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the bridges to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the county commission. In addition, a public hearing should be held to obtain input from the county residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of county bridges throughout the year.

Conditions similar to Parts C. and H. were noted in our prior report.

WE RECOMMEND the County Commission:

- A. Enter into written agreements for all services which detail all duties to be performed and the compensation to be paid. In addition, review current expenses and allowances being paid to ensure public funds are expended in a necessary and prudent manner.
- B. Review the transaction and take the appropriate action. In the future, if checks need to be issued prior to receiving supporting documentation, the County Commission should perform a follow up review of the transaction to ensure funds are expended as intended.
- C. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- D. Require adequate supporting documentation prior to approving expenditures for payment.
- E. Enter into a written agreement with the Prosecuting Attorney outlining the specific arrangements regarding payment of the Prosecuting Attorney's expenses. The basis for this arrangement should be documented and retained.
- F. Ensure all contracts are in writing.
- G. Ensure contracts are signed by all parties and document their review of the financial statement reports submitted. In addition, ensure collector's bonds are reviewed for sufficiency, and ensure the County Clerk files a copy of the collector's bond with the STC.
- H. Require the Sheriff to perform a documented periodic reconciliation of fuel purchased to amounts used in county vehicles and investigate any significant discrepancies.
- I. Establish a formal annual maintenance plan for county bridges.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. We will review these recommendations and correct any deficiencies.*
- B. We will review this transaction and take the appropriate action.*
- C&D. These will be corrected.*
- E. We will comply with this new recommendation.*
- F. We will enter into a written agreement with the fire department.*
- G. This will be done. Letters have been sent to each township requesting proof of bonding be filed with the County Commission.*
- H. We will work with the Sheriff to ensure this is being done.*
- I. The state inspects all county bridges, and the County Commission uses the results of the inspections to plan for upcoming bridge projects. In addition, the County Commission periodically documents in its minutes culverts to be replaced.*

9. County Officials Compensation

Salary increases paid to some elected officials (in the middle of their term) during the years ending December 31, 2002 and 2001 are not supported by salary commission actions, and there is no documentation from legal counsel supporting the Public Administrator's salary.

- A. Salary increases paid to some elected officials (in the middle of their term) totaling \$11,686 during the years ending December 31, 2002 and 2001 are not supported by salary commission actions. Salary increases by official are as follows:

Official	Salary increases during the year ending December 31,		Total
	2002	2001	
Presiding Commissioner	\$ 1,152	1,152	2,304
County Clerk	1,840	1,840	3,680
Prosecuting Attorney	1,310	1,310	2,620
Total	4,302	4,302	8,604

The County Clerk indicated he calculated the salary increases due to an increase in the county's assessed valuation. He also indicated it was the salary commission's intention to take salary increases as changes in assessed valuation occurred; however, the salary commission minutes do not clearly indicate this was their decision. In addition, the County Clerk's calculation of the Prosecuting Attorney's salary is not consistent with other salary calculations.

Section 50.333, RSMo 2000, provides for the salary commission to meet in each odd-numbered year to determine the compensation to be paid to county officials beginning with their next term of office. The County Commission should ensure future salary decisions are documented and supported by actions of the salary commission. In addition, the County Commission should review this situation, obtain a legal opinion regarding these payments, and take the appropriate action. Also, the County Clerk should ensure all future salary amounts are calculated consistently.

- B. There was no documentation from legal counsel supporting whether the Public Administrator should receive the minimum salary provided by state law or a percentage of the minimum. The Public Administrator, who took office in January 2001, elected to be placed on salary rather than a fee basis. Section 473.742, RSMo 2000, provides a salary scale based on the average number of open letters in the two years preceding the term when the salary is elected. The County Clerk calculated the Public Administrator's salary at \$13,500 (90 percent of the statutory minimum of \$15,000) to correspond with what he thought was the percentage of the maximum salaries provided by state law paid to other officials for their respective offices. Without a documented legal opinion, it is not clear whether the amount paid to the Public Administrator is in accordance with state law.

WE RECOMMEND the County Commission review these salary increases, obtain a legal opinion, and take the appropriate actions. In addition, ensure the salary commission approves all salary increases, and salary commission minutes clearly document all decisions made. Also, the County Clerk should ensure all future salary amounts are calculated consistently.

AUDITEE'S RESPONSE

The County Commission indicated the intent of the Salary Commission was to take increases in salary when assessed valuations occurred; however, they will ensure the minutes clearly document this at the next meeting. In addition, they will obtain an opinion and make adjustments as necessary.

The County Clerk and County Treasurer did not reconcile their accounting records monthly, and budgets for smaller county funds did not always include the beginning and ending cash amounts.

- A. The County Clerk and County Treasurer did not reconcile their accounting records monthly for the years ended December 31, 2004 and 2003. Cash balances did not reconcile as a result of differences between receipts and transfers recorded by each official and because the County Treasurer did not report cash balances of all county bank accounts on his semi-annual settlement. For example, the County Clerk did not accurately report interest earned on certificates of deposit (CDs) and report transfers made from the Road and Bridge Fund to the General Revenue Fund on the budget in the year they occurred for the years ended December 31, 2004 and 2003. In addition, the County Treasurer's semi-annual settlements did not include the activity of three CDs, the Community Development Block Grant Account, and the REAP Grant for Betterment Assistance Account. Adjustments have been made to the audited financial statements to correct these reconciling items.

Section 51.150.1, RSMo 2000, requires the County Clerk to keep regular account with the County Treasurer. To provide the type of check-and-balance system required by state law, to ensure errors and omissions are detected on a timely basis, and to provide accurate financial reporting, the County Clerk and County Treasurer should reconcile their records monthly.

- B. Budget documents of several smaller county funds did not always include the beginning and ending cash amounts.

To be of maximum assistance to the county and to adequately inform the public, the financial statements should accurately reflect the anticipated beginning cash and ending cash balances.

A condition similar to Part B. was noted in our prior report.

WE RECOMMEND the County Commission:

- A. Require the County Clerk and County Treasurer to reconcile their accounting records monthly and document and fully investigate all reconciling items.
- B. Ensure beginning and ending cash balances are presented for all county funds.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *This will be corrected.*
- B. *This will be corrected if information is submitted to our office from other officials.*

11. Property Tax System

Several control weaknesses exist over the property tax system. The county does not hold a public hearing to adopt the county's tax rates until after the State Auditor's Office (SAO) has certified the rates, and the County Assessor has the ability to make changes to the property tax system during periods when she has no statutory authority. In addition, the County Clerk does not maintain an account book with the Ex Officio County Collector and did not prepare or file property tax aggregate abstracts with the Department of Revenue (DOR) or the State Tax Commission (STC). Additionally, controls over property tax additions and abatements are not adequate, there was no evidence that the County Commission examined and approved the Ex Officio County Collector's annual settlements, and passwords and other procedures are not in place to limit access to the property tax system.

The county's assessment lists and tax books are maintained on a computerized property tax system. The County Assessor is responsible for entering assessed valuation data, and the County Clerk is responsible for entering the tax rates and extending and printing the tax books. The County Clerk verifies the tax books and the Ex Officio County Collector and Township Collectors' collect the property taxes.

- A. The County Clerk and County Commission do not hold a public hearing to adopt the county's tax rates until after the State Auditor's Office (SAO) has certified the tax rates. In addition, the County Clerk signed the completed tax rate forms as the official representative for the various political subdivisions within the county during the tax year 2003, however there was no documentation that the political subdivisions had approved the 2003 rates or authorized the County Clerk to sign these forms. Section 137.073 and 67.110, RSMo 2000, requires each political subdivision to hold at least one public hearing and fix the rates of property taxes, the County Clerk to extend the tax rate on the tax book and file the tax certification forms with the SAO. In addition, the SAO issued a letter in 2001, regarding tax rate setting procedures, which stated, "Each political subdivision is responsible for reviewing and finalizing the forms, holding a public hearing to adopt the tax rates, and filing the forms with the county clerk. The county clerk will enter the proposed rate that will be extended on the tax books, sign, and forward the completed forms to the State Auditor's Office."

- B. The County Assessor enters the assessed valuation data from the assessment sheets, which is to be completed by May 31 of each year, however she can also enter changes in assessed valuations after approval by the Board of Equalization. After the Board of Equalization meetings are completed, even though the County Assessor has no statutory authority to make changes to the assessment data, she and her staff still have the capabilities to make changes to the assessment data. As a result, there is an increased risk that unauthorized changes can be made to the assessment data.
- C. Although the County Clerk and Ex Officio County Collector both indicated they balance various tax records monthly and annually, the County Clerk does not maintain an account book with the Ex Officio County Collector and Township Collectors. An account book would summarize all taxes charged to the Ex Officio County Collector and Township Collectors, monthly collections, delinquent credits, abatements and additions, and protested amounts by tax book. These figures could then be verified by the County Clerk from aggregate abstracts, tax books, court orders, monthly collection reports, and totals of all charges and credits. Section 51.150.2, RSMo 2000, requires the County Clerk to maintain accounts with all persons chargeable with monies payable into the county treasury. A complete account book would help the County Clerk ensure that the amount of taxes charged and credited to the Ex Officio County Collector and Township Collectors each year is complete and accurate and could also be used by the County Commission to verify the Ex Officio County Collector's annual settlement.
- D. The County Clerk did not prepare the Land and Personal Tax Aggregate Abstract, Back Tax Aggregate Abstract, or the Railroad and Utility Aggregate Abstract for the 2004 and 2003 tax years. The Department of Revenue (DOR) and the State Tax Commission (STC) sent notices to the County Clerk indicating that these reports had not been filed with their offices. Section 137.295, RSMO 2000, provides for the County Clerk to prepare these reports and forward them to the DOR and the STC.
- E. Controls over tax book additions and abatements are not sufficient. Additions and abatements are prepared by the Assessor and signed by the County Clerk; however, the County Commission does not review and approve the additions and abatements.

To ensure all additions and abatements have been accounted for properly and to help verify the accuracy of additions and abatements reported by the Ex Officio County Collector on his annual settlements, the County Commission should review and approve all additions and abatements. In addition, the additions and abatements should be reconciled to the collector's annual settlement.

- F. There was no evidence the County Commission examined and approved the Ex Officio County Collector's annual settlements. A detailed review should be performed by the County Commission to ensure the accuracy of the annual settlement.

- G. Passwords and other procedures are not in place to limit access to the various data files and programs utilized by the County Assessor and County Clerk. Lack of such passwords and procedures provides the potential for personnel to make undetected and unauthorized changes to information. To establish individual responsibility, as well as help preserve the integrity of computer programs and data files, access to information should be limited to authorized individuals. A system of passwords and other procedures can be used to properly restrict access. A unique password should be assigned to each user of a system, and these passwords should be kept confidential and changed periodically to help limit the effect of unauthorized access to computer files.

A condition similar to Part C. was noted in the prior report.

WE RECOMMEND the County Commission:

- A. Ensure public hearings are held prior to certifying its tax rates with the SAO.
- B. Restrict access to the assessment data during periods when changes to the data are not statutorily allowed.
- C. Ensure the County Clerk maintains an account book with the Ex Officio County Collector and township collectors and use this information to verify the accuracy of the collector's annual settlements.
- D. Ensure the County Clerk prepares and files the Land and Personal Tax Aggregate Abstract, Back Tax Aggregate Abstract, and the Railroad and Utility Aggregate Abstract with the Department of Revenue and the State Tax Commission as required.
- E. Review and approve all additions and abatements and reconcile them to Ex Officio County Collector's annual settlement.
- F. Review and approve the Ex Officio County Collector's annual settlements.
- G. Consult with its programmer and establish procedures to restrict access to computer files, including the use of unique passwords, to authorized individuals.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *A public hearing will be held prior to the State Auditors Office certifying the tax rate.*
- B. *We will discuss this with the programmer and take this under advisement.*
- C. *We will try to do this.*

D. The County Clerk has prepared the abstracts and will mail them to the appropriate parties.

E&F. These will be done.

G. We will discuss this with the programmer.

12. Personnel Procedures

An adequate review of a deputy's time sheets and leave records was apparently not performed, proper controls over compensatory time balances have not been established, and timesheets and leave records submitted by the Sheriff's office were not always signed by the Sheriff. In addition, the Ex Officio County Collector authorized additional payments from the Tax Maintenance Fund to his employee, and the County Commission has historically required full time employees to work only 35 hours a week.

A. Deputies earn compensatory time for any time worked in excess of 171 hours in a 28 day cycle as required by the FLSA. Individual time sheets and leave records are prepared by the Sheriff's office bookkeeper on a computerized spreadsheet, signed by each employee, and filed with the County Clerk's office. Our review of the Sheriff's office payroll records revealed the following:

1. An adequate review of the employee's time sheets and leave records was apparently not performed by the former Sheriff or the County Clerk's office which allowed inaccuracies to go undetected. The computer spreadsheet of time worked and leave balances maintained by the bookkeeper is inaccurate. For example, one deputy's total hours and compensatory time worked were overstated by 20 and 18 hours in November 2004, respectively, due to an error in calculations on the spreadsheet, and as a result the deputy was overpaid \$148 and accrued 18 more hours of compensatory time than worked.

To ensure employees are paid correctly and receive leave benefits as allowed by law and the county's personnel policy, timesheets should be reviewed for accuracy. In addition, the accumulated leave balances should be carefully reviewed for consistency and mathematical accuracy to ensure that employee leave balances are correct and employees receive the proper amount of leave and overtime compensation.

2. Neither the former Sheriff nor the County Commission has implemented proper controls to ensure compensatory time balances were reviewed for excessive balances. The employee noted in part A.1. was carrying in excess of 480 hours of compensatory time at November 30, 2004. The FLSA provides for employees regularly engaged in public safety activities to accumulate a maximum of 480 hours of compensatory time. Hours in excess

of this maximum are to be paid or taken off by the employee in the next pay period. Proper controls over the management of compensatory time balances require the county to evaluate balances for reasonableness, the reasons for large or increasing balances, and provide solutions to prevent excessive balances. Excessive compensatory time represents a large liability for the county which could require significant cash resources upon payment.

3. The computerized timesheet and leave records submitted by the Sheriff's office to the County Clerk were not always signed by the former Sheriff. Time sheets should be signed by the employee and the employee's supervisor to indicate their agreement to the actual time reported each month.
- B. From July 2004 to February 2005, the Ex Officio Collector authorized \$1,881 in additional payments from the Tax Maintenance Fund to his employee. Our review of this situation disclosed the following concerns:
1. The employee was paid for a total of 166 hours from July 2004 through February 2005. The additional time worked was not documented on the employees' regular monthly time sheets submitted to the County Clerk's office, but instead was recorded separately and not submitted. In addition, some of the hours worked were overtime, and the employee was only paid \$11.33 per hour. This hourly pay rate was her normal hourly salary and not at time and one-half. The county employee manual indicates that overtime compensation is to be paid at the rate of one and one-half times the usual rate of pay.
 2. These payments were not processed through the county's payroll system and therefore, were not subjected to payroll tax withholdings.

To ensure compliance with the Fair Labor Standards Act (FLSA) and ensure the propriety of any overtime payments made, overtime worked should be properly recorded on the monthly time sheets and paid through the regular county payroll process. In addition, all overtime payments should be subject to withholding taxes and paid in accordance with the county's overtime policy.

- C. Although the County Commission has historically required full time employees, excluding those in law enforcement, to work only 35 hours a week, the county's personnel policy indicates "all work schedules for full time employees shall not be less than 160 hours in each monthly pay period." The County Commission should review its current policy and practices and revise the policy if necessary.

WE RECOMMEND the County Commission:

- A. Ensure the Sheriff and the County Clerk review time sheets and leave records for accuracy. Leave balances should also be monitored to minimize excessive leave

balances. In addition, ensure all time sheets have been signed by both the employee and the employee's supervisor.

- B. And the Ex Officio County Collector ensure any overtime worked is properly recorded on the monthly time sheets and paid through the regular county payroll process. In addition, all overtime payments should be subject to withholding taxes and paid in accordance with the county's overtime policy.
- C. Review its current personnel policy and practices regarding required work hours for full time employees and revise the policy if necessary.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We will work with the Sheriff's office and require timesheets to be signed by the employee and Sheriff and monitor comp time.*
- B. *We will work with the Ex-Officio County Collector who indicated he will gladly comply.*
- C. *We will review current practices and revise the policy as necessary.*

13. County Sales Tax

The county has not sufficiently reduced its property tax revenues by 50 percent of sales tax revenues as provided in the ballot issue passed by the Dade County voters under the provisions of Section 67.505, RSMo 2000.

As indicated by the following calculations, the net excess property tax revenues collected as of December 31, 2004, and 2003 have increased due to the county not rolling back the property tax levy for excess property tax revenue collections from prior years.

		Tax Year Ended December 31,	
		2004	2003
ACTUAL SALES TAX REVENUES	\$	255,146	226,992
Required percentage of revenue reduction	X	50%	50%
Required property tax revenue Reduction		127,573	113,496
Assessed Valuation		77,151,306	76,320,421
General Revenue Fund tax levy reduction (per \$100 of assessed valuation)	X	0.1501	0.1401
Actual property tax revenue Reduction		115,804	106,925
EXCESS PROPERTY TAX REVENUES COLLECTED		11,769	6,571
Excess property tax revenue collections from prior years		32,650	26,079
NET EXCESS	\$	44,419	32,650

The County Clerk indicated he estimates the annual sales tax revenues based on the first six months actual sales tax revenues and calculates the property tax rate levy based on this estimate. However, he does not include any excess property tax collections from prior years in his calculation of the property tax rate. The county needs to develop procedures to ensure the proper calculation and adjustments are made annually and to adjust future levies for the \$44,419 excess property taxes collected in prior years.

WE RECOMMEND the County Commission ensure appropriate adjustments are made to the property tax levy to reflect excess property taxes collected in prior years, and maintain documentation to show the county's compliance with this law.

AUDITEE'S RESPONSE

The County Commission indicated this will be corrected.

14. Collateral Securities

The County Commission and the 911 Emergency Services Board have not established procedures to monitor collateral securities pledged by its depository bank, and as a result, funds were undercollateralized at December 31, 2003, and at other times during the audit period. Collateral securities pledged by the county's depository banks to cover deposits of the County Treasurer/Ex Officio County Collector and the 911 Emergency Services Board were insufficient by approximately \$260,000 and \$385,000 at December 31, 2003 and during January 2005, respectively. The 911 Emergency Services Board invested its funds using the county's tax identification number which caused both the county and board funds to be

secured under the county's name. The County Commission and County Treasurer indicated they were not aware the 911 Emergency Services Board funds were secured under the county's agreement, and the 911 Emergency Services Director indicated he was unaware the board needed to obtain additional coverage.

Section 110.020, RSMo 2000, requires that the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of a bank failure.

WE RECOMMEND the County Commission ensure adequate collateral securities are pledged to protect county funds. This can be done by monitoring bank activity and providing timely notice to the depository bank of the need for additional collateral securities to be pledged.

AUDITEE'S RESPONSE

The County Commission indicated the 911 board has obtained separate coverage, and they will notify the bank to monitor coverage.

15.	General Fixed Assets
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The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Currently, the County Clerk utilizes the county insurance carrier's listing of county property as his listing of fixed assets, and as a result, the property records do not always include the necessary information for some assets, such as acquisition by fund, acquisition date, and the date and method of disposal. In addition, some fixed assets purchased during the year ending December 31, 2003, were not added to the listing and not insured, including a projector and computer hardware. Also, property items were not always properly numbered, tagged, or otherwise identified as county property.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo 2000, provides the county officer of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk. Property control tags should also be affixed to all fixed asset items to help improve accountability and to ensure that assets are properly identified as belonging to the county.

A similar condition was noted in the prior audit.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition, to providing guidance on accounting and record keeping, the policy should include necessary definitions, address important dates, discuss procedures for the handling of asset disposition, and other concerns associated with county property. Also, inventories and inspections should be performed by each county official and the County Clerk, and general fixed asset purchases should periodically be reconciled to general fixed asset additions. In addition, property control tags should be affixed.

AUDITEE'S RESPONSE

The County Commission indicated they will comply.

16. Sheriff Accounting Controls and Procedures

Weaknesses in the current and former Sheriff's accounting controls and procedures include the following: monthly bank reconciliations and open items (liabilities) listing are not prepared, receipt slips are not issued for some monies received, the composition of receipt slips issued are not reconciled to deposits, and receipts are not deposited on a timely basis. In addition, a perpetual inventory record of seized property and a ticket issuance log for uniform traffic tickets issued were not maintained, vehicle logs for county owned patrol cars did not adequately document appropriate use of the vehicles, and the county does not have written agreements with the political subdivisions for whom it houses prisoners.

The Sheriff's office maintains a fee account for the deposit of civil and criminal process fees, gun permits, jail phone commissions, and other miscellaneous receipts. The Sheriff also maintains another account for the deposit of bonds. The Sheriff's office processes approximately \$40,000 annually.

- A. Bank reconciliations for the fee account and the bond account are not performed. The Sheriff's current bookkeeper indicated she did not know when the last bank reconciliation had been performed and had not performed a reconciliation since she started working for the Sheriff's office in 2003. In addition, open items (liabilities) listings are not maintained for either bank account. During the course of our audit, we requested the Sheriff's office to perform bank reconciliations as of December 31, 2004 for each account, and since the reconciliations had still not been performed three weeks after our request, we prepared the bank reconciliations for each account. While reconciling the accounts, we noted two checks from 2002 that were erroneously not recorded in the accounting software that totaled approximately \$3,000. The reconciled bank balances (per audit) of the Sheriff's fee and bond accounts at December 31, 2004 were \$587 and \$88, respectively. Further, the book balances maintained by the Sheriff's office for the fee and bond accounts at

December 31, 2004 were \$865 and (\$3) resulting in an overage/(shortage) of (\$278) and \$91, respectively.

The preparation of monthly reconciliations is necessary to ensure the bank accounts are in agreement with the accounting records and to detect and correct errors on a timely basis. Also, to ensure accounting records are complete and to assist in the reconciliation process, receipts should be posted to the cash control ledger on a timely basis. In addition, reconciling the book balance to an open items listing is necessary to ensure records are in balance and that sufficient cash is available for the payment of all liabilities. The Sheriff should investigate the differences between the book balances maintained and the available cash balance, and take the appropriate action.

B. We noted the following concerns regarding receipts:

1. Receipt slips are not issued for some monies received. Receipt slips are not issued for checks received through the mail, and we noted a \$100 cash payment from an inmate for damages to the jail for which a receipt slip was not issued. Further, the composition of receipt slips issued is not reconciled to the composition of deposits.

To adequately account for all receipts, prenumbered receipt slips should be issued for all receipts, and the numerical sequence should be accounted for properly and the composition of receipt slips issued should be reconciled to the composition of deposits.

2. Civil process fees received are not deposited until the related papers are served. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited daily or when accumulated receipts exceed \$100.
3. Checks and money orders are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the time the deposit is made. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

C. Adequate control over seized property has not been established. A complete log of seized property is not maintained and periodic inventories of the property on hand are not conducted. Considering the often sensitive nature of the seized property, adequate internal controls are essential and would significantly reduce the risk of theft or misuse of the items. An inventory control record should include information such as description, persons involved, current location, case number, and disposition of such property. Officers should be required to sign the inventory record each time evidence is removed from the room. In addition, periodic physical inventories should be performed and the results compared to the inventory records to ensure that seized property is accounted for properly.

- D. The Sheriff's department issues uniform traffic tickets (UTTs) for various traffic offenses. The Sheriff's department does not maintain a ticket issuance log listing the ticket number, date issued, violator's name, offense, and disposition. In addition, the Sheriff indicated he did not know how many tickets had been issued during the years ending December 31, 2004 and 2003.

A ticket issuance log listing each ticket number, the date issued, violator's name, offense, and disposition should be maintained to help ensure all tickets have been accounted for properly.

- E. Vehicle logs maintained by the Sheriff's office for county owned patrol cars did not adequately document appropriate use of the vehicles. While gasoline purchases, odometer readings at the time of gas purchases, and the officer purchasing the gasoline were recorded, the logs did not include the purpose and destination of each trip or the daily beginning and ending odometer readings.

Vehicle logs should be prepared for each vehicle which include the date, odometer readings, and purpose of each trip.

- F. The Sheriff's Department boards prisoners for other political subdivisions. The county does not have written agreements with these entities regarding the housing rate to be paid or the services to be provided.

Section 432.070, RSMo 2000, requires the county to have all contracts in writing. Written agreements should be prepared with political subdivisions for services provided. The agreements should clearly specify the arrangements between parties for the services provided and be approved by the County Commission.

Conditions similar to Parts B. and C. were noted in our prior report.

WE RECOMMEND the Sheriff:

- A. Ensure bank reconciliations are prepared on a monthly basis for each bank account and also ensure all receipts are posted to the cash control ledger on a timely basis. In addition, each account balance should be reconciled to an open items listing, and the Sheriff should attempt to investigate any unidentified monies or shortages.
- B.1. Issue prenumbered receipt slips for all monies received and reconcile the composition of receipts to the composition of bank deposits.
2. Deposit receipts intact daily or when accumulated receipts exceed \$100.
3. Restrictively endorse checks and money orders immediately upon receipt.

- C. Maintain a complete inventory record of all seized property including information such as description, persons involved, current location, case number, and disposition of such property. In addition, periodic inventories of seized property should also be performed.
- D. Maintain a ticket issuance log listing the ticket number, date issued, violator's name, offense, and disposition.
- E. Maintain vehicle logs for each vehicle which include the date, odometer readings, and purpose of each trip in order to document appropriate use of all vehicles.
- F. And the County Commission enter into written agreements for the boarding of prisoners.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *The new bookkeeper will prepare bank reconciliations and reconcile the book balance to a listing of bonds held. I will investigate any differences in the account.*

B.1,

B.3,D

&F. These will be done.

B.2,

C&E. These are currently being done.

17. Prosecuting Attorney's Accounting Controls and Procedures
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Weaknesses in the Prosecuting Attorney's office accounting controls and procedures include the following: receipt slips were not issued for some monies received, monies were not always deposited intact or in a timely manner, monthly listings of open items (liabilities) are not reconciled to the cash balance maintained in the Prosecuting Attorney's bank account, and an adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as subsequent disposition of these complaints, has not been established.

The Prosecuting Attorney's office collected court-ordered restitution and bad check restitution and fees of approximately \$25,000 annually.

- A. The following concerns were noted regarding the Prosecuting Attorney's receipting procedures:

1. Receipt slips are not issued for some monies received, the numerical sequence of receipts is not accounted for, and the original copies of voided receipt slips are not maintained. In addition, it appears that the Prosecuting Attorney's former secretary sometimes backdated receipt slips to the date noted on the checks and money orders received. For example, a cash count conducted on December 27, 2004 revealed two money orders for which receipt slips had not been issued. The former secretary later issued receipt slips for the two money orders which were back dated to December 22 and December 23, 2004, (the date noted on each of the money orders).
2. Receipts are not always deposited intact or in a timely manner. Receipts are normally deposited once or twice per week. For example, a check from the Dade County Circuit Clerk for \$522 received on January 26, 2004 was not deposited until February 2, 2004.
3. Checks and money orders are not restrictively endorsed immediately upon receipt.

To adequately safeguard receipts and to reduce the risk of loss, theft, or misuse of funds, receipt slips should be issued for all monies received immediately upon receipt and dated the day of receipt, receipts should be deposited intact daily or when accumulated receipts exceed \$100, and checks and money orders should be restrictively endorsed immediately upon receipt.

- B. The Prosecuting Attorney has not established procedures to routinely follow up on old outstanding checks. At December 31, 2004, eight checks totaling \$89 had been outstanding for over one year, with two of these checks dating back to 2000.

These old outstanding checks create additional and unnecessary record-keeping responsibilities. An attempt should be made to locate the payees of the old outstanding checks and the checks should be reissued if possible. If the payee cannot be located, the monies should be disposed of as provided by state law.

- C. Monthly listings of open items (liabilities) are not reconciled to the cash balance. As of December 31, 2004, the reconciled bank balance totaling \$4,532 exceeded the open items listing by \$859.

Monthly listings of liabilities should be reconciled to the cash balance to ensure accounting records are in balance and that sufficient cash is available for the payment of liabilities.

- D. An adequate system to account for all bad check complaints received by the Prosecuting Attorney's office, as well as subsequent disposition of these complaints, has not been established. To ensure all bad checks turned over to the Prosecuting Attorney are properly handled, a log should be maintained listing each complaint and

its disposition. The log should contain information such as the complaint number, the merchant's name, the issuer of the check, the amount of the bad check fee, and the disposition of the bad check, including date restitution was received and disbursed to the merchant, the date and criminal case in which charges were filed, or other disposition.

Conditions similar to Parts A., C., and D. were noted in the prior report.

WE RECOMMEND the Prosecuting Attorney:

- A. Issue receipt slips immediately for all monies received, deposit all monies intact daily or when accumulated receipts exceed \$100, and restrictively endorse checks and money orders immediately upon receipt.
- B. Attempt to resolve the old outstanding checks.
- C. Ensure that the monthly open items listing (liabilities) is reconciled to the cash balance on a monthly basis. Unidentified differences should be investigated and resolved.
- D. Maintain a complete listing of all bad checks filed and their disposition.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *My staff makes every attempt to issue receipts immediately and to restrictively endorse checks and money orders. However, if other duties so demand, such as preparing for court cases, these must take priority. In addition, when the secretary is off work for vacation or sick leave, the receipts may have to wait until she returns. We further attempt to make deposits on a timely manner, but once again, if there are other pressing duties, a trip to the bank may have to wait.*
- B. *Our duty is to the victims of crimes. We do not "resolve" outstanding checks until we are sure the victim cannot be located. As suggested by the auditors, if the checks are over one or two years old, we will turn them over in accordance with state law.*
- C. *The bank statements are reconciled by the secretary and then audited by me on a monthly basis. We will attempt to itemize all open items as recommended as time allows.*

We often have a defendant that has written numerous checks. Once prosecuted, the Court or the office of Probation and Parole sets up restitution payments. We retain all restitution payments until the full amount of restitution has been received. We then pay each victim in full. In the event restitution is not paid in full (i.e. the defendant is sentenced to jail or the Department of Corrections for violating probation), we then pro-rate the amounts received

to each victim. To do otherwise would mean paying one or two victims to the exclusion of others.

D. *We have set up a log listing each complaint and disposition.*

18. County Clerk Accounting Controls and Procedures
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Receipts are not transmitted intact to the County Treasurer because cash is withheld to purchase postage, and controls over the County Clerk's facsimile stamp are not adequate. In addition, the County Clerk does not prepare bank reconciliations for the Election Services Account, and balances were not maintained in the checkbook register.

- A. Receipts are not transmitted intact to the County Treasurer because cash is withheld to purchase postage. The County Clerk collected receipts of approximately \$2,000 annually. To safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be transmitted to the County Treasurer intact monthly as required by Section 50.360, RSMo 2000. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.
- B. A facsimile signature stamp is maintained on a desk in the County Clerk's office, and is occasionally used by employees of the County Clerk's office to document the County Clerk's approval on various forms. The County Clerk indicated that his employees ask for his approval to use the stamp; however, he does not review the documents stamped. The use of the facsimile stamp and the unrestricted access to the stamp diminishes the controls intended by approval signatures. The County Clerk should evaluate the need for the stamp, and if he decides to continue the practice of using the facsimile stamp, controls over the stamp should be established.
- C. Bank reconciliations were not prepared for the Election Services Account and balances were not maintained in the checkbook register. The County Clerk has custody of the Election Services Fund which is used to supplement the costs of elections. The Election Services Fund balance at December 31, 2004 was \$15,000.

Without maintaining records of cash balances and preparing monthly bank reconciliations, there is little assurance that cash receipts and disbursement have been properly handled and recorded or that bank or book errors will be detected and corrected in a timely manner. Given the County Treasurer has established controls over other county funds, the County Clerk should consider turning this account over to the County Treasurer.

A condition similar to Part A. was noted in our prior report.

WE RECOMMEND the County Clerk:

- A. Transmit all monies to the County Treasurer intact monthly. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.
- B. Evaluate the need for the facsimile signature stamp, and if he decides to continue the practice of using the facsimile stamp, controls over the stamp should be established.
- C. Prepare monthly bank reconciliations and maintain checkbook registers or consider turning over control of the Election Services Fund to the County Treasurer.

AUDITEE'S RESPONSE

The County Clerk provided the following responses:

- A. *I will transmit receipts to the County Treasurer intact.*
- B. *I will restrict access.*
- C. *This has already been implemented.*

19. Public Administrator Accounting Controls and Procedures
--

Bank reconciliations were not performed, checks were not issued in numerical sequence or properly accounted for, and check registers were thrown away by the Public Administrator.

The Public Administrator acts as the court appointed personal representative for wards or decedent estates, of the Probate Court. The Public Administrator handled approximately 17 estates, annually.

- A. Bank reconciliations were not performed for the estate reviewed. Bank reconciliations are necessary to ensure the accounting records are in agreement with the bank and that any errors are detected on a timely basis.
- B. Checks were not always issued in numerical sequence, and several check numbers were not recorded on the annual settlements or otherwise accounted for. The Public Administrator stated these checks were voided and not issued; however, the voided checks were not retained. In addition, some check numbers were recorded on an annual settlement incorrectly. For example, a check number recorded on the annual settlement was actually a missing check; however, another check was issued for an amount listed on the annual settlement for this missing check. The Public Administrator uses a local attorney to prepare the annual settlements, and the attorney prepares the annual settlements using bank statements and canceled checks.

Further, the Probate Court does not account for the numerical sequence of checks issued during their review of annual settlements to ensure that all checks have been reported or properly accounted for.

Annual settlements that include complete and accurate reports of estate transactions and assets are necessary for the court to properly oversee the administration of these cases and lessen the possibility that errors or misuse of funds could go undetected. In addition, all checks used should be listed on the annual settlement and the numerical sequence of checks accounted for properly. If a check is voided, this should be indicated and the voided check should be mutilated and retained.

- C. The Public Administrator disposes of each estate's check book register once the annual settlement is filed with the court. Retention of records is necessary to ensure the validity of transactions and provide an audit trail and account for all monies received. In addition, Section 109.270, RSMo 2000, provides that all records made or received by an official in the course of their public duties are public property and are not to be disposed of except as provided by law.

WE RECOMMEND the Public Administrator and Associate Circuit Judge:

- A. Prepare and retain monthly bank reconciliations for each estate.
- B. Prepare annual settlements using book records to ensure a complete and accurate account of all transactions is provided. If a check is voided, this should be indicated on the annual settlement and the check should be properly mutilated and retained. In addition, the Associate Circuit Judge should require the numerical sequence of checks issued be reviewed to ensure that all checks are accounted for adequately.
- C. Retain records in accordance with state law to provide assurance that all transactions are valid and proper.

AUDITEE'S RESPONSE

The Associate Circuit Judge provided the following response:

- B. *The Probate Court does audit the settlements. No funds are transferred without proper accounting. The Probate Court does not prohibit the use of counter checks. Some estates are transferred to the Public Administrator and bills are immediately due. Requiring the Public Administrator to wait until the checks are printed delays the payment of bills necessary for the proper care of the Ward/Protectee. Those counter checks are properly accounted for. All check amounts shown on the settlements are verified through bank statements. No funds are unaccounted for.*

The former Public Administrator provided the following responses:

- A. I reconciled my records with the bank balances, but I failed to fill out the bank reconciliations on the back side of the bank statement.*
- B. My attorney prepared annual settlements. I gave them all the paperwork. I thought they were doing it correctly. The reason for some of the checks being out of sequence was because they were counter checks.*
- C. I did dispose of bank registers after each annual settlement was filed. I thought when the court approved the annual settlement, I could throw them away.*

20. Recorder of Deeds Accounting Controls and Procedures

Bank reconciliations are not always performed and completed monthly. For example, the December 2004 bank reconciliation had not been prepared as of February 9, 2005. The Recorder of Deeds subsequently performed the December bank reconciliation. The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis.

WE RECOMMEND the Recorder of Deeds perform bank reconciliations monthly.

AUDITEE'S RESPONSE

I have closed the former Recorder of Deeds account and opened a new account. I am currently keeping the account reconciled.

21. County Assessor Accounting Controls and Procedures

The County Assessor's office accepts cash, checks, and money orders, and issues rediform receipt slips for monies received. The receipt slips do not always indicate the method of payment, the numerical sequence of receipt slips issued is not accounted for, and voided receipt slips are not always retained. In addition, receipts are not posted to her monthly report of fees until monies are transmitted to the County Treasurer each month, and a copy of her monthly report of fees is not filed with the County Commission.

To properly account for all receipts and ensure they are handled properly, official prenumbered receipt slips should be issued for all monies received, the method of payment received should be recorded and reconciled to the composition of monies transmitted to the County Treasurer, the numerical sequence of receipt slips should be accounted for properly, and all copies of voided receipt slips should be properly defaced and maintained. In addition, receipts should be posted to the monthly report of fees in a timely manner, and Section 50.370, RSMo 2000, requires county officials to file a monthly report of fees with the County Commission.

The County Assessor's office processed receipts for maps and photo copies of approximately \$1,000 annually. While the County Assessor does not collect large amounts of fees, control weaknesses such as these need to be improved.

WE RECOMMEND the County Assessor issue official prenumbered receipt slips for the monies collected, record the method of payment received, and reconcile the composition of monies collected to receipt slips and transmittals, account for the numerical sequence of receipt slips, and retain all copies of voided receipt slips. In addition, post all receipts to the monthly report of fees in a timely manner, and file the monthly report of fees with the County Commission in accordance with state law.

AUDITEE'S RESPONSE

The County Assessor indicated her office staff currently indicate the method of payment on the receipt slips, and she will order pre-numbered receipt slips so the receipt slips will continually be in numerical order. She is currently retaining all copies of voided receipts and recording monies received immediately, and will begin filing a monthly report with the County Clerk.

Follow-Up on Prior Audit Findings

DADE COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Dade County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 2000.

Any prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Procedures

- A. Formal budgets were not prepared for various county funds.
- B. Actual expenditures exceeded budgeted amounts for several county funds.
- C. The approved budget documents for several smaller county funds did not always include beginning and ending cash amounts or other beginning and ending available resources.
- D. Minutes were not prepared for closed sessions of County Commission meetings, and it was not evident that the final disposition of matters discussed in closed session was made public.
- E. The County Commission did not list the specific reason for holding closed sessions on the agendas.

Recommendations:

The County Commission:

- A. Ensure budgets are prepared or obtained for all county funds as required by state law.
- B. And the Health Center not authorize warrants in excess of budgeted expenditures.
- C. Ensure all available resources are reflected in the smaller county funds, including budgets prepared by elected officials.
- D. Ensure minutes are prepared, approved, and retained for all closed meetings, and the final disposition of matters discussed in closed meetings is made public as required by state law.
- E. Ensure the specific reason for the closed sessions is noted in the meeting agendas.

Status:

- A. Not implemented. See finding number 04-1.
- B. Partially implemented. Improvements were made by the county, and actual expenditures exceeded budgeted amounts in only four funds by minimal amounts. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Not implemented. See MAR No. 10.

D&E. Implemented.

2. Expenditures

- A. The county did not always solicit or advertise bids nor was bid documentation always retained for various purchases.
- B. The county overpaid an engineering firm \$5,461 for engineering services for a bridge project because the county did not reconcile individual invoices to progress invoices submitted by the engineering firm.
- C. IRS Forms 1099-MISC were not issued as required.

Recommendations:

The County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- B. Immediately seek reimbursement of the \$5,461 overpayment.
- C. Issue IRS Forms 1099-MISC as required by the Internal Revenue Code.

Status:

- A. Not implemented. See MAR No. 8.
- B. Not implemented. While the County Commission issued a letter dated February 4, 2002, to the engineering firm requesting the funds be reimbursed, the County Commission did not pursue any further collection efforts when the firm did

not respond. Although not repeated in the current MAR, our recommendation remains as stated above.

C. Implemented.

3. Personnel Policies and Procedures

A. Centralized leave records were not maintained.

B. The county did not follow its own policy to advertise county employment opportunities.

C. Various county employees with access to money were not bonded.

Recommendations:

The County Commission:

A. Maintain centralized records of leave earned, used, and accumulated for all county employees.

B. Follow all policies indicated in the county comprehensive employee manual.

C. Consider obtaining adequate bond coverage for all employees with access to monies.

Status:

A-C. Implemented

4. General Fixed Assets

Procedures were not adequate to ensure fixed asset purchases were included in the general fixed asset records. In addition, new assets were not consistently numbered, tagged, or otherwise identified as county property.

Recommendation:

The County Commission establish a written policy to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for handling of asset disposition, and any other concerns associated with county property.

Status:

Not implemented. See MAR No. 15.

5. County Clerk

- A. The County Clerk did not maintain an account book with the Ex Officio County Collector.
- B. Additions were added to the tax books by the Township or Ex Officio County Collectors only when the taxes were paid.
- C. The County Clerk did not ensure the township road boards financial statements were prepared and published as required by state law.
- D.1. Receipt slips were not issued for some monies received, and some receipts were not posted to the monthly fee sheet.
- 2. Receipts were not transmitted to the County Treasurer in a timely manner.

Recommendations:

The County Clerk:

- A. Establish and maintain an account book of the Ex Officio County Collector's and township collector's transactions, and the County Commission make use of this account book to verify the Ex Officio County Collector's annual settlements.
- B. Prepare any additions to the tax books and charge the collectors with the additions at the time the additions are prepared.
- C. Prepare a form to be utilized by the townships that provides a detailed account of the township's financial activity and property. In addition, the County Clerk should ensure all townships file their detailed financial statements with the county and publish in a local newspaper in accordance with state law.
- D.1. Issue pre-numbered receipt slips for all monies received and reconcile the composition of the receipts to the composition of the transmittal to the County Treasurer. In addition, all receipts should be posted to the monthly fee sheet.
- 2. Transmit all monies to the County Treasurer intact monthly. If a petty cash fund is determined to be necessary, it should be kept on an imprest basis and all reimbursements should be supported by vendor invoices or other documentation.

Status:

A. Not implemented. See MAR No. 11.

B&

D.1. Implemented.

C. Partially implemented. Each township (except one) prepared and published a financial statement during the years ending December 31, 2004 and 2003. The township that failed to comply was referred to the Prosecuting Attorney by the County Clerk.

D.2. Partially implemented. The County Clerk transmits monies to the County Treasurer monthly; however, monies are still being withheld to purchase postage. See MAR No. 18.

6. Ex Officio County Collector

A. The Ex Officio County Collector used an incorrect average Proposition C ratio for school collections when computing commission and assessment fund withholdings from state assessed railroad and utility taxes.

B. Surtax collections were distributed using the wrong percentages.

Recommendations:

The Ex Officio County Collector:

A. Recalculate commissions and assessment withholding related to the various school districts and making correction for amounts improperly distributed to the General Revenue Fund and Assessment Fund. In addition, the Ex Officio County Collector needs to ensure future Proposition C Commissions are computed properly.

B. Calculate the percentages which should have been used for each of the two years ended February 28 (29), 2001 and 2000, and apply these percentages to the respective surtax collections. The newly calculated distributions should be compared to the actual distributions and adjustments made to future distributions.

Status:

A&B. Implemented.

7. Circuit Clerk and Ex Officio Recorder of Deeds

- A. The Circuit Clerk's office maintained several old bank accounts that were no longer utilized.
- B. The Ex Officio Recorder of Deeds was only turning over twenty-seven percent of the monthly interest earned on her account to the County Treasurer.

Recommendations:

The Circuit Clerk and Ex Officio Recorder of Deeds:

- A. Identify the monies held in the old bank accounts and disburse the monies so that the accounts can be closed.
- B. Ensure all of the interest earned on the Ex Officio Recorder of Deeds' bank account is remitted to the County Treasurer at least monthly.

Status:

A&B. Implemented.

8. Sheriff's Accounting Controls and Procedures

- A.1. Receipt slips were not issued for some monies received.
 - 2. Receipts were not deposited in a timely manner.
 - 3. Checks and money orders were not restrictively endorsed immediately upon receipt.
 - 4. Receipts were not posted to the cash control ledger in a timely manner.
- B. The Sheriff received commissions from calendar sales, and did not deposit these monies into a bank account or otherwise account for the monies.
- C. A complete log of seized property was not maintained, and periodic inventories of the property was not conducted.
- D. Fuel usage, recorded on mileage logs maintained by the Sheriff's office, was not reconciled to fuel purchased.

Recommendations:

The Sheriff:

- A.1. Issue pre-numbered receipt slips for all monies received and reconcile the composition of receipts to the composition of bank deposits.
- 2. Deposit receipts intact daily or when accumulated receipts exceed \$100.
- 3. Restrictively endorse checks and money orders immediately upon receipt.
- 4. Post all receipts to the cash control ledger on a timely basis.
- B. Turn over calendar monies to the County Treasurer as required by state law.
- C. Maintain a complete inventory record of all seized property including information such as a description, person involved, current location, case number, and disposition of such property. In addition, perform periodic inventories of seized property.
- D. Reconcile fuel usage to fuel purchased and investigate significant differences.

Status:

A.1-3
&C. Not implemented. See MAR No. 16.

A.4&
B. Implemented.

D. Not implemented. See MAR No. 8.

9. Prosecuting Attorney's Procedures and Controls

- A. Receipts were not always deposited in a timely manner.
- B. Monthly listings of open items (liabilities) were not reconciled to the cash balance.
- C. The employee responsible for receiving and depositing monies was not bonded.
- D. The bad check log was not updated in a timely manner for bad checks turned over to the Prosecuting Attorney for collection.
- E. Waivers of bad check fees were not approved and documented by the Prosecuting Attorney.

Recommendations:

The Prosecuting Attorney:

- A. Ensure receipts are deposited intact daily or when accumulated receipts exceed \$100.
- B. Ensure that the monthly open items listing (liabilities) is reconciled to the cash balance on a monthly basis. Unidentified differences should be investigated and resolved.
- C. Obtain bond coverage for the employees of her office.
- D. Maintain a complete listing of all bad checks filed and their disposition and ensure the listing is updated in a timely manner.
- E. Approve and document all waivers of bad check fees.

Status:

- A,B,
&D. Not implemented. See MAR No. 17.
- C. Not implemented. See MAR No. 12.
- E. Implemented.

10. Health Center's Accounting Controls and Procedures

- A. The health center's disbursements exceeded receipts, and its financial condition had declined.
- B. Budgets prepared by the health center were not accurate and complete, and cash balances reported to the board were inaccurate. In addition, receipts and disbursements included on the budgets contained numerous classification errors and were inaccurate.
- C.1. Receipt slips were not issued for some monies received.
 - 2. Monies received were not deposited intact and were not deposited in a timely manner.
- D. The health center did not adequately monitor the vacation and sick leave balances of employees.
- E. Additions of fixed assets were not recorded in the fixed asset records.

- F. The health center did not have a written depositary agreement with its depositary bank.
- G. The health center did not publish annual financial statements.

Recommendations:

The Health Center Board of Trustees:

- A. Take the necessary steps to improve the financial condition of the health center and develop a plan to seek additional revenue sources and reduce operation costs to maintain a balance sufficient to service health center operations.
- B. Ensure that the budget is prepared accurately to reflect the financial activity of the health center.
- C.1. Require that pre-numbered receipt slips to be issued for all monies received. In addition, the method of payment should be recorded on the receipt slips and the composition of receipts should be reconciled to deposits.
 - 2. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- D. Ensure accurate records of leave and compensatory time are maintained.
- E. Record all additions of fixed assets as they occur and ensure purchases are reconciled periodically to additions to the property records.
- F. Enter into a written depositary agreement with any bank which holds board monies.
- G. Publish annual information for the Health Center Fund in accordance with state law.

Status:

- A. Not implemented. See MAR No. 1.
- B&F. Not implemented. See MAR No. 2.
- C.1. Partially implemented. Receipt slips are issued for all monies received; however, the composition of receipt slips is not reconciled to the composition of amounts deposited. See MAR No. 2.
- C.2. Implemented.
- D. Not implemented. See MAR No. 3.

E. Not implemented. See MAR No. 4.

G. Not implemented. See finding number 04-1.

STATISTICAL SECTION

History, Organization, and
Statistical Information

DADE COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1841, the county of Dade was named after Francis L. Dade, a pioneer settler. Dade County is a township-organized, third-class county and is part of the Twenty-Eighth Judicial Circuit. The county seat is Greenfield.

Dade County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 115 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens. The townships and special road districts maintain approximately 586 miles of county roads.

The county's population was 7,383 in 1980 and 7,934 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,				
		2004	2003	2002	2001	1985* 1980**
		(in millions)				
Real estate	\$	44.0	43.3	40.4	38.9	26.5 12.8
Personal property		19.5	20.6	19.9	20.2	10.6 6.1
Railroad and utilities		13.6	12.4	13.2	13.0	7.3 7.3
Total	\$	77.1	76.3	73.5	72.1	44.4 26.2

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Dade County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2004	2003	2002	2001
General Revenue Fund	\$.1200	.1300	.1200	.1400
Health Center Fund		.0998	.0998	.1000	.1000

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county and townships bill and collect property taxes for themselves and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2005	2004	2003	2002
State of Missouri	\$ 23,631	22,721	21,991	21,620
General Revenue Fund	100,460	103,693	95,009	107,033
Road Funds	332,618	318,944	307,587	300,707
Assessment Fund	50,214	39,164	38,394	36,868
Health Center Fund	77,588	74,764	72,535	71,315
School districts	2,853,457	2,742,883	2,660,744	2,563,948
Library district	71,649	68,970	66,821	65,572
Ambulance district	69,815	67,296	65,270	64,012
Fire protection district	79,957	76,443	74,841	70,946
Townships	82,283	78,872	76,418	75,302
Hospital district	0	22	0	22
Nursing home district	182,120	176,655	174,408	169,102
Technical college district	18,626	17,641	16,894	17,579
Cities	22,415	21,296	21,191	19,499
County Clerk	0	107	0	716
County Employees' Retirement	9,156	7,699	5,437	6,700
Commissions and fees:				
Townships	35,822	35,342	34,857	33,856
General Revenue Fund	55,780	48,507	45,900	40,024
Total	\$ 4,065,591	3,901,019	3,778,297	3,664,821

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2005	2004	2003	2002
Real estate	91.4	90.5	91.4	92.2 %
Personal property	89.0	89.7	89.8	91.0
Railroad and utilities	100	100	100	100

Dade County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	%
General	\$.0050	None	50	
Law Enforcement	.0050	None	None	
911 Emergency Services	.0075	None	None	
Local Option Use		Fluctuates with local sales tax rate		

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2005	2004	2003	2002	2001
County-Paid Officials:	\$				
Rex A. Wilkinson, Presiding Commissioner		22,645	22,665	19,952	19,952
William G. Marshall, Associate Commissioner		20,645	20,645	17,952	17,952
Franklin D. Heiskell, Associate Commissioner		20,646	20,645	17,952	17,952
Carolyn Kile, Recorder of Deeds (1)		31,280	31,280		
Larry W. McGuire, County Clerk		31,280	31,280	31,280	31,280
Randee Stemmons, Prosecuting Attorney		37,720	37,720	34,850	34,850
Gary Gabbert, Sheriff		35,880	35,880	35,880	35,880
Rod O'Conner, Treasurer and Ex Officio County Collector, year ended March 31,	31,280	31,280	31,280	31,280	
Mark A. White, County Coroner		8,740	8,740	8,740	8,740
Betty Ringgenburg, Public Administrator		13,500	13,500	13,500	13,500
Patty Maxwell, County Assessor (2), year ended August 31,		32,031	32,158	31,955	
Sharon Williams, County Assessor (3), year ended August 31,					31,500
Clark McLemore, County Surveyor (4)					

(1) Dade county voters approved separating the offices of the Recorder of Deeds and the Circuit Clerk in 2002. The newly elected Recorder of Deeds took office in January 2003.

(2) Includes \$751, \$878, and \$675 in annual compensation received from the state in 2004, 2003, and 2002, respectively.

(3) Includes \$900 annual compensation received.

(4) Compensation on a fee basis.

State-Paid Officials:

Brenda Adams, Circuit Clerk and Ex Officio Recorder of Deeds	47,850	47,300	47,300	47,300
David Munton, Associate Circuit Judge	96,000	96,000	96,000	96,000